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THE FISCAL DEVELOPMENT OF GHANA

A THESIS

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As my research work for this study progressed, I realized how little has been written about Ghana's fiscal development. Much more information, than is available at present, is needed to do justice to this study. For this reason, this paper is hardly more than "spade work" for future endeavours.

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CHAPTER I

INTRODUCTION

The theme of this study is the fiscal development of Ghana. Its evolution has been and is still being shaped by political and economic changes in the country, especially after 1951 when Ghana (formerly the Gold Coast) became an autonomous country. This change in political status--from a colonial territory to a self-governing country--enabled its first elected, almost all African, government to embark upon an industrialization programme for the country.

Economic development is proceeding in Ghana today along the lines of a Welfare State. But planned economic development entails decisions on allocation of funds and other resources between the private and public sectors; consequently there are important taxation and public debt issues. Other sources of funds are grants and loans from foreign governments and private investment by foreigners.

Attempts at securing the needed funds from sources other than taxation, by monetary and trade policies, and through international agreements have not produced encouraging results so far. The local money market and other financial institutions are not sufficiently developed to enable the government to borrow substantially from the public. Foreign lenders have not been willing to meet Ghana's financial needs nor is Ghana, unlike Egypt, prepared to barter its only important export crop, cocoa, for capital investment.

Even though the tax base is meagre and the system undeveloped, it is at present the only major source of revenue for economic development. The government, using budget policy, is not only providing collective services to the people of Ghana, but is also establishing public utilities and many small infant industries which supply particular goods and services to the citizens. Evolving political, social and economic conditions in the country and the absence of both foreign assistance and foreign investment have compelled the government to follow a policy of "planned economy". Under these circumstances budget policy has therefore become an effective instrument to achieve the political ends.

From a comparatively primitive and backward stage, the Gold Coast suddenly emerged as an independent state in March, 1957. But its economic backwardness still remains.

A country occupying an area of 91,843 sq. miles with a population of nearly five million and a per capita income of £57 sterling¹ is now grappling with the problem of its economic development. The present economy is fragile. Cocoa is its mainstay, but it is very sensitive to vagaries of world trade and to climatic conditions and pests (e. g. swollen shoot disease). Few individuals in Ghana at present have either the capital, the skill or the enterprising zeal that helped the western countries develop economically.

It has, therefore, become incumbent upon the present government, for political and for social reasons, to organize economic and

¹Ghana Government Statistician: Economic Survey 1957, Table 3, p.31

non-economic activities so as to raise the standard of living for all. This has greatly increased government activity in the economy.

Factors inducing this wholesale economic modernization other than the desire to overcome poverty and disease are several. Some of these factors are: (a) a strong self-conscious nationalism to preserve independence and freedom from foreign political or economic domination, real or imagined; (b) the desire for the means of national defence and security; and (c) the desire for national and personal respect, status, prestige and importance in the world which experience shows is not readily accorded to backward countries or to their citizens (as one Pakistani put it, "we want freedom from contempt").

The problem of financing economic development, which is all embracing and requires more money than Ghanaians could pay in taxes, is acute and urgent. Until 1940 there was no such thing as direct taxation in Ghana. The cost of colonial administration was met from local indirect taxation and from the treasury of the United Kingdom whenever there was a budget deficit. For most of the African dependent territories (including Gold Coast, now Ghana) the problem of public finance was a problem of constructing, and then of maintaining, the essential framework of administrative equipment.

Between 1913 and 1925 the funded debt of the British colonial territories in West Africa (including the Gold Coast, now Ghana) increased from £12.5 million to £63.7 million and increased further to

£95.7 million between the years 1925 and 1932, partly because of a new artificial harbour construction at Takoradi and partly because of personnel emoluments and allowances for the Europeans in the administrative service which, it was claimed, was over staffed. This resulted in a reduction of the European establishment in the Gold Coast Service from 1,281 to 437 people between 1929 and 1932. The government became very short of funds during this period because of opposition raised by the Ghanaians to the imposition of income tax or any form of taxation.

Like the Americans in the days of George III or the British radicals of the 18th century who appealed for "breakfast without tax" when income tax was first introduced in Great Britain in 1799 by Pitt, the Africans in a similar tone in 1897 objected to any taxation without their consent. Their arguments were based on the grounds that the Bond of 1844² and the Ordinance of 1897³ signed with the British Government on behalf of the British Queen at that time did not in any way permit the United Kingdom government to limit the Africans' rights without their consent. Thus any imposition of a tax upon them was construed as an encroachment upon their inalienable rights.

Nonetheless, indirect taxation in kind was introduced and was formally instituted in 1913 by the Colonial Governor. This marked the beginning of fiscal policy in the history of Ghana as an established institution of government finance. Its development since then has been

²See Chapter II

³See *ibid.*

slow and sometimes stagnant because of the early frustrating pace at which Ghana's economic and political development was set, if there was such a policy at all. Experience and records show that until 1938 and possibly after the Second World War, there was no deliberate and consistent colonial government policy to foster or to take positive steps of diversifying Ghana's economy.

Upon this premise we can safely say that fiscal policy--the conduct of government expenditures, revenues and debt management in such a way as to take fully into account the effect of these operations on the allocation of resources and the flow of funds for economic development--as it is known today was practically non-existent in the early forties in Ghana. The Cocoa Pool of 1937⁴ with its adverse economic repercussions, the continued restlessness of some members of the Ghanaian

⁴ During the main cocoa season in September 1937 all the major European cocoa buying agents in Ghana formed a combine and agreed thenceforward not to compete for the yearly cocoa produce. They also agreed among themselves at what price per load of 60 lb. of cocoa each buyer would pay the cocoa farmers regardless of the world cocoa price during the boom.

Following this agreement, the European buying agents set the cocoa price for 1937 crop season at five shillings per load whilst the world price (London f.o.b.) per load was 25 shillings and ten pence half penny (25s 10½d) sterling. The farmers, through instigation of one Dr. Danquah, a Ghanaian lawyer, refused to sell their produce to the buying agents and then appealed to the Colonial Governor through their tribal chiefs. During this period when the cocoa farmers were holding back the cocoa from the market, they suffered financially because cocoa was their only major cash crop. Consequently, this economic privation became a political issue which resulted in sending a Chiefs' delegation to London, England to meet the Colonial Secretary. A Royal Commission was subsequently appointed by the Colonial Secretary, to inquire into the marketing of the whole British West African cocoa.

As a result of the Report of the Royal Commission, the European Cocoa Pool was broken up and the colonial administration set up a West African Cocoa Board in 1939 with a head office in Accra, Ghana, on behalf of

all cocoa farmers in the British West Africa. The Board was given (a) a monopoly of marketing the yearly cocoa produce, (b) powers to fix local price in consultation with farmers representatives for each cocoa harvest season and (c) to establish a Stabilization Fund from which price would be supported whenever the world price dropped below the Board's fixed price.

In 1949 the Board was reconstituted and decentralized with each territory having its own Board. Thus the name was changed to Ghana (Gold Coast) Cocoa Marketing Board with the same powers and duties. Since 1948 some percentage of the Board's reserve funds has been channelled to development projects such as education and health services in the country, until most of the reserves are now devoted to the country's industrialization programme, either by grants or in loans to the Government of Ghana.

- See also Great Britain, Colonial Office, Report of the Commission on the Marketing of West Africa Cocoa 1938, p. 190

intelligentsia and the agitation and demands of the Second World War Ghanaian veterans precipitated rapid social and political changes in the country.⁵ Following these rapid changes, the scope of colonial government activity began to widen greatly; it made some of the citizens realize fully the necessity to pay all kinds of taxes in order that individual and communal wants might be satisfied.

In response to popular clamour for rapid economic and social modernization, the first African government in 1951 assumed complete State responsibility of Ghana's industrialization with fiscal policy as the most effective weapon at present to achieve the goal. Consequently, fiscal measures have gradually evolved from a moribund stage to a very active one and are now heavily relied upon as the most effective means in the government's economic development programme. In fostering economic growth, the government is now utilizing idle resources and thereby stimu-

⁵Watson Commission Report on Disturbances in the Gold Coast, 1948-Colonial No. 232, H.M. Stationery Office, London, 1948.

lating growth of the African private sector in the economy. The expansion of government activity which is now making fiscal measures felt is a reflection of a general change in the political climate which emerged after the Cocoa Pool of 1937 and the Second World War.

What are the chances of Ghana's success with fiscal policy as the means for its economic development? Later in this study an attempt will be made to assess the possible chances of success of Ghana in relying so heavily on its fiscal measures for industrial development of the country. For the time being, so great has been the influence of Ghana politics on fiscal evolution that a full understanding of it requires some historical background of the country's political scene.

CHAPTER II

HISTORICAL BACKGROUND OF GHANA

Gold, ivory, spices, slaves, cocoa. These words sum up the story of Ghana (formerly the Gold Coast) since 1482 when Portuguese navigators first landed on the shores of the country. At first, it was the lure of gold that brought the Portuguese to the coast of Guinea. The name Gold Coast was given to this part of the coast of West Africa by the Portuguese traders and adventurers in the fifteenth century who found gold to be in common use among the Ghanaians at that time. The country today includes four distinct territories, Southern Ghana (formerly the Gold Coast Colony), Ashanti Region, Northern Ghana (formerly the Northern Territories) and Volta Region (formerly a Mandated Territory under the defunct League of Nations, and later under United Nations Trusteeship but administered by the United Kingdom). Each region, with its own distinctive history and characteristics, came under British rule through amalgamation by successive steps under different political conditions.

Until British control in 1901, the Portuguese were the "masters"; trading at first in gold, ivory, spices and finally in slaves. In the sixteenth century, as a result of the Spanish conquest of the West Indies, there arose a permanent demand for African workers. This gave rise to the slave trade that lasted about three hundred years.

By 1750, the English, the Dutch, the Spanish and the Danes had settlements on the coast and all these European nations joined in the slave trade. Their forts and castles on the coast were but trading out-

posts, and a battleground for European wars between themselves. By 1901 the United Kingdom had assumed control of all British and other European trading settlements on the coast and had earlier signed a friendship-treaty (known as the Bond of 1844) with the tribal chiefs of the Fanti Confederacy.¹

The terms of the Bond of 1844 bound the tribal chiefs to acknowledge the Queen's jurisdiction, to abolish human sacrifice, and to submit certain crimes to the decision of the Queen's judicial officers sitting with the tribal chiefs. In return, the British authorities promised to help the chiefs develop the country within a hundred year period and thereafter to hand over the administration to the chiefs and their people.

By friendly co-operation with neighbouring tribes, British protection and jurisdiction was gradually extended beyond the immediate vicinity of the forts and trading settlements in the forties and fifties of the nineteenth century. Within this area the administration was generally stable although disturbed from time to time by tribal wars. Between 1826 and 1900 the British and the Fanti tribes engaged in a long series of campaigns against the raiding Ashantis of the interior. Defeat of the Ashantis brought them under the British administration.

In 1896 treaties of trade and protection were concluded with several tribes north of Ashanti and a protectorate over the area now known as Northern Ghana (formerly the Northern Territories) was estab-

¹ W. E. Ward, A Short History of the Gold Coast, Longmans & Green Co., London, 1938, pp. 1-50.

lished. The Boundary Commission in 1898 and 1899 delimited the borders of the Gold Coast and the neighbouring French and German African territories. The British jurisdiction was clarified in 1901 by British government Orders-in-Council which declared as a Colony by settlement all territories in the Gold Coast south of Ashanti; declared Ashanti a colony by conquest, and the Northern Territories (now Northern Ghana) a Protectorate under the Foreign Jurisdiction Act of 1890. It was in 1901 that the British assumed full responsibility for the government of the Gold Coast and its hinterland.

The Gold Coast, preoccupied with political problems, neglected for many years any attempt to develop government finance or to integrate into the machinery of government the organizations headed by the traditional native authorities. In comparison with other territories, such as Southern Rhodesia, it was noticeably backward in the expansion of local economic and social services. The Ordinance of 1878 which empowered the traditional chiefs "to enact by-laws and to establish tribunals in order to try breaches of those laws, and to exercise minor civil and criminal jurisdiction"² was misinterpreted by the tribal chiefs. Like the Bond of 1844, the chiefs again construed the Ordinance of 1878 as the recognition of inalienable rights possessed by them and also a legal warranty for their claim that no further limitations would be imposed on their authority without their prime consent. Such consent they would never give. They therefore considered imposition of any form of taxation

²Great Britain, Colonial Office, Ordinance of 1877, Sections 1-10

as an infringement on their rights. This political attitude constrained the effective use of taxation by the colonial administration to obtain adequate funds to meet public expenditure.

Nonetheless, each tribal chief's household during that period was maintained by his servants and by barter. It was not a money economy, and life at that time was so simple that a little revenue in kind would meet the household's needs. The chiefs being preoccupied with tribal wars, did little to develop the economy. Since military service was obligatory it required no payment. The British administration became increasingly concerned with continual tribal wars for they disturbed the stability of the territories and thus threatened British trade settlements. The maintenance of order necessitated control over the chiefs which prejudiced the traditional organization of tribal authority. However, by 1924 the chiefs had been brought under control, and a mixture of direct and indirect rule in Ghana was firmly established. Native tribunals were appointed by the Colonial government which later developed into urban and rural governments. The administration of these tribunals was usually ineffective because of interference by tribal chiefs who often tried to exert their authority over the councils and the local people. Thus, invariably, the colonial administration reluctantly coordinated the local councils' activity with the central machinery.

The early central machinery was complicated. Ashanti Region, until 1946, and Northern Ghana, until 1951, were administered di-

rectly by the Governor while Southern Ghana (formerly the Gold Coast Colony) was passing through the early slow stages of developing representative institutions. A legislature was set up in what was then the Colony as early as 1850, made up almost entirely of English trading settlers and the Governor as the chairman with a deciding vote. The first African unofficial member was appointed to the Legislative Council in 1888 and by 1916 the unofficial side of the Council consisted of three Europeans, three Paramount Chiefs and three representatives of educated Africans, whilst the other members were ten senior civil service officials with the Governor as the chairman.

Under these arrangements the colonial Governor was empowered to legislate by proclamation for the Ashanti Region and Northern Ghana, whereas in legislating for Southern Ghana he had the advice of a legislative council whose advice he was authorized to ignore if he thought fit. Even the 1925 constitution which widened the composition of the council did not change the Governor's reserved powers. Under the 1925 constitution executive and legislative councils were constituted. The former consisted of holders of five senior official posts in the Civil Service. In the latter, in addition to these officials, were ten other official members, six tribal chiefs, three members representing the towns of Accra, Cape Coast and Sekondi and ten other European unofficial members. The six tribal chiefs were always Governor's nominees. During these years the administration was completely in the hands of the Colonial

Governor and his officials until public agitation for political changes was intensified by economic unrest concerning cocoa marketing and diversification of Ghana's economy. Perhaps this rising local discontent prompted a change in colonial philosophy.

To meet the agitation of the farmers against the Cocoa Pool of 1937, the colonial government established in 1939 the West African Cocoa Board--(later reconstituted and renamed Ghana Cocoa Marketing Board)--as a public marketing agency on behalf of the farmers. Regarding Ghana's demands for economic development, the Colonial Office was reluctant to be directly involved in an industrialization programme. The Colonial Office decided that the financial backing necessary for development of resources in Ghana was to be supplied by the private sector. But further public expenditure involved in the development of administrative and social services was to be met entirely from the revenues of the Gold Coast (now Ghana).

In 1940, this economic policy of laissez faire was modified partly because of Ghana's persistent demands through successive delegations to the Colonial Office and partly as a result of the altered climate of ideas which had begun to show itself even before the outbreak of the Second World War. British public opinion was adverse to the transition into the colonial sphere of the outmoded laissez faire principles of the Victoria era. It was asserted that if the pace of economic development in Ghana was to be accelerated then there must be State interven-

tion. A more constructive approach was required from the State than that involved in the building and maintenance of a few lines of communication to the mining villages. This, apart from the Cocoa Marketing Board, was the only aspect of economic development pursued by the colonial administration. It was only by active State intervention that socio-economic conditions would be ameliorated.

In Britain, official appreciation of this situation was expressed in the Colonial Development and Welfare Act of 1940.³

Politics and economics are, of course, complementary. In fact, they are inseparable. The British administration believed that a slight change in colonial policy might meet the demands of the tribal chiefs and Ghana's educated men who were then asking for more representation in the central legislature. The Colonial Office contended that

³ This was the outcome of the Moyne Commission Report. A Royal Commission had been appointed by United Kingdom Government in 1938 with Lord Moyne as chairman to investigate agricultural marketing problems of the West Indies. The report of the Commission was presented to United Kingdom Parliament in 1940. The Government decided, primarily as an act of faith and as an expression of its intentions to transfer the main recommendations of the Royal Commission from its limited context of the West Indies to the whole of the Colonial Empire.

The Colonial Secretary in introducing the 1940 Colonial Development and Welfare Bill (designed to implement the new policy based on the Moyne Report), emphasized that this implied a change in the official British approach to the problems of colonial development--

"that Britain contribute directly.....towards the development in the widest sense of word of the colonial peoples."

See also: Great Britain, Hansard Parliamentary Debates, 21st May 1940, col. 45.

Great Britain, Colonial Office. Statement of Policy on Colonial Development and Welfare, Command Paper No. 6175, 1940

Africans would gain more from native administration (local government) than from one in which administration was based on some form of representative government, which the Colonial Office thought was alien to Africans.

Few of the colonial officials could have envisaged the final goal of colonial policy as the achievement of self-government in the form which it is now developing. For the most part they only set their eyes on the immediate benefits which a native authority system seemed to promise: (a) giving Ghanaians (then the Gold Coasters) some of the benefits of western civilization without changing or disturbing the indigenous social institutions (which appears impossible, for there is bound to be a change of culture as long as an African is exposed to other cultures), (b) the growth of native responsibility for the management of local affairs and for the improvement of local conditions, and (c) the hope that through this application the Gold Coast people might be able to develop for themselves the type of political institutions best suited to their own surroundings. This, in essence, meant indirect rule. The expression of electorate opinion through a ballot was dismissed as inconceivable.

All in all, it was believed that the establishment of the Ghana Cocoa Marketing Board and the programme of the Colonial Development Fund would meet fully the demands of the farmers, the tribal chiefs, the educated men and the public generally and therefore forestall the rising spirit of Africanism which was being fanned by the "new man" in Ghana. It did, in fact, help to cool off nationalism for a while until it was

overtly revived in 1948 by the United Gold Coast Convention.

Ghanaians welcomed the Colonial Development and Welfare Fund⁴ which was intended for social services, education, and health but were infuriated with the Colonial Secretary's refusal to grant them more representative in the legislature. Therefore, the educated men through the tribal chiefs continued to press political demands. The continual hesitation of the colonial administration to meet these demands led to formation of an "unofficial political movement"--the United Gold Coast Convention⁵ in Ghana--to fight for complete independence.

A new Colonial Governor, Sir Allan Burns, was posted to Ghana in 1945. He sensed the danger⁶ and with Colonial Office approval he drew up a new constitution in 1946, often referred to as "Burns' Constitution". The Burns' Constitution of 1946 which was intended to give the Africans more seats in the Legislature did not appease the people, especially the informed public. The Legislature, under this new constitution, constituted six European official members, six unofficial members

⁴ In the Gold Coast the heads of department were invited to prepare ten-year plans on an individual basis and without regard to the amount of funds which were eventually to be available for distribution. Meanwhile a financial survey was undertaken and it became necessary to modify a majority of the plans for lack of funds. Between 1946 and 1957 when Ghana became independent she received about £11.0 million sterling from this Colonial Fund for some aspects of economic development. Once Ghana became a completely autonomous country she was ineligible to draw on the Fund. See also: Gold Coast, Governor's Office, The Year Plan of Development and Welfare for the Gold Coast, 1946, pp. 1 and 2.

⁵ This was in no sense a political party, it was rather a movement meant to mobilize public opinion effectively for political agitation. It was originally organized by one Ghanaian lawyer and philosopher, a Dr. Danquah. In 1947 he invited Dr. Nkrumah, who was studying in London, England, to be the movement's first Secretary.

⁶ See Great Britain, Foreign Office, The Making of Ghana, 1957, p. 9.

nominated by the Governor (three Europeans and three Africans) and eighteen other indirectly elected African members. Also, the number of unofficial Africans on the Governor's Executive Council was increased from two in 1942 to three and here again they were chosen by the Governor from amongst the indirectly elected members of the Legislature. In addition, there were seven ex officio and one nominated official members. Between the introduction of the Burns' Constitution and the next major political changes, the Gold Coast Colonial Government in 1948 assumed much more responsibility for its own financial affairs which had formerly been closely supervised by the United Kingdom Government. In February 1950, Togoland (now Volta Region) obtained representation in the Legislative Council, when a member was elected by the Southern Togoland Council which had been set up in the previous month. These changes missed the boat.

Immediately after the new constitution, the "1948 Riot"⁷ broke out in Southern Ghana. Though these disturbances were economic

⁷ On February 28th, 1948 the Ghana War Veterans obtained a Police Pass to present their petition to the Governor, demanding their war pensions and employment, and also to complain against the reluctance of European Business houses to employ qualified Africans in managerial positions. At the eleventh hour, the Police revoked the Pass claiming that the demonstration would be capitalized by the newly formed political movement. Nonetheless, the Veterans decided to go ahead. Their procession to the Governor's Castle was intercepted by one Police Officer who asked the Veterans to disperse and return home. They refused to obey his order and consequently he opened fire on them, killing the leader and some of the Veterans. Thus the 1948 Riot began, and all political issues were raised again.

See: Great Britain, Colonial Office, Report of the Commission of Enquiry (Watson Report) into the disturbances in the Gold Coast 1948, Colonial No. 232.

rather than political in origin they gave rise to much political feeling in the country. A Royal Commission (the Watson Commission) was set up by the Colonial Office to investigate general conditions in the country. The Commission in its report (Colonial No. 232) ignored the economic demands, but made a number of proposals for constitutional reform; in particular that the membership of the Legislative Council should be increased and that Africans should be allowed to play a larger part in the proceedings of the Governor's Executive Council. In accepting this report, the United Kingdom Government asked the colonial Governor to set up a fully representative Committee of Ghanaians to examine the constitutional proposals contained in the Watson Commission Report.

This Committee was set up early in 1949 under the chairmanship of an African judge, the late Sir Justice Coussey. After holding hearings in most parts of the country, it issued its report which dealt in detail with the whole structure of governmental machinery. The principal features of the new Constitution, recommended by the Coussey Committee were: (a) an enlarged legislature, composed principally of members elected directly or indirectly by popular vote; (b) an Executive Council, responsible for formulating policy, with a majority of African

members drawn from the Legislature, but including three ex officio members; and (c) the retention by the Governor of certain reserved powers in relation to the functions of both the Legislative Assembly and Executive Council.⁸

On the recommendations of the Coussey Committee a new constitution was formally introduced in 1951, giving the Africans almost majority representation in the Legislature. Elections were held in February 1951, and Dr. Nkrumah's party was brought into power with a slogan "Bread and Butter for All". The new Legislature, therefore, for the first time, represented the whole country and at the same time made the country almost self governing. In June 1953, the newly elected African government put forward new proposals for further constitutional advances which the Colonial Office accepted in principle.

In April 1954, a new constitution was drawn and published, making Ghana a fully self-governing country, while British Togoland (now Volta Region) through a plebiscite under United Nations supervision voted in favour of integration with an independent Gold Coast (now Ghana).⁹

The tide could be held back no longer. In the United Kingdom House of Commons on 11th May 1956, the Secretary of State for the

⁸Great Britain, Colonial Office: Dispatch from the Secretary of State for the Colonials to the Governor of the Gold Coast--Colonial No. 250, September 1950.

⁹Great Britain, Colonial Office: Dispatch from the Secretary of State for the Colonial to the Governor of the Gold Coast, 15th September 1956

Colonies made the following statement (in part):

".....As the House knows, the present Gold Coast constitution marked the last stage before the assumption by the Gold Coast of full responsibility for its own affairs.... I have told Dr. Nkrumah that if a General Election is held Her Majesty's Government will be ready to accept a motion calling for independence within the Commonwealth passed by a reasonable majority in a newly elected Legislature and then to declare a firm date for this purpose."

Elections were duly held in Ghana (formerly the Gold Coast), and upon the results of these elections¹⁰ and a subsequent motion of the newly constituted Legislative Assembly the Colonial Secretary indicated that

"Her Majesty's Government will at the first available opportunity introduce into the United Kingdom Parliament a Bill to accord independence to the Gold Coast and that, subject to Parliamentary approval, Her Majesty's Government intend that independence should come about on the 6th March 1957."¹¹

Consequently, Britain granted the Gold Coast independence on 6th March, 1957, and the name Gold Coast was forthwith changed to GHANA.

The economy of Ghana remains to be developed. Its political progress in the last twenty years has been rapid, perhaps unprecedented in the history of most African colonial territories. But its economic development has not kept pace with such rapid political changes. It is argued in some quarters that the flat refusal of the tribal chiefs

¹⁰ See Appendix I

¹¹ Colonial Secretary's Dispatch to the Gold Coast Governor, 15th September 1956, op. cit. p. 1

to allow their citizens to pay income tax to the government coffers between 1844 and 1940 made it quite impossible for the British Government to help develop the country as they had promised to do as early as 1844. Perhaps this assertion is true, but it is doubtful whether during those early years there was any deliberate and positive policy of the colonial administration to diversify the economy.

In the earliest phase of colonial rule the guiding principle of policy was a minimum of interference with the indigenous authority, whether it took the form of a native state or a tribal system headed by a paramount chief. The British asked little more of such an authority than it should maintain suitable conditions for the expansion of export and import trading. In essence, the Bond of 1844 had no intrinsic value to the British administration except as a means of furthering their trade and exporting home the raw materials from Ghana. To secure the necessary primary products some extractive industries; such as gold, manganese, diamonds, tin and iron ore, were privately developed by European interests and the peasant farmers were encouraged to increase cocoa, rubber and banana production regardless of the method of farming. Allied with these were the colonial establishment of administrative machinery, defence and police for law and order; construction of Takoradi artificial harbour, Sekondi-Kumasi-Accra railways and coastal highways to reach the mining areas. All in all, the economy remains predominantly rural.

CHAPTER III

THE GHANAIAN ECONOMY

The economy of Ghana could be described with one word--cocoa. Cocoa prices are highly sensitive to world demand and supply conditions and this makes the economy vulnerable and fragile. The annual cocoa crop contributes about sixty per cent of national income, and about the same percentage of government revenue. Ghana is predominantly an agrarian economy but there are pockets of developed extractive industries and there is a growing commercial sector. This rural economy, small scale and tribal in character, is moving ahead slowly towards greater industrialization and manufacturing.

Unlike industrial countries, Ghana has low per capita levels of production and consumption. The estimated gross national income per capita was £57 sterling in 1957.¹ Over most of its area, the main economic activity is agriculture, much of it based on locally fragmented farms, carried out with simple tools and in many places without draught animals. It is estimated that the total labour force in 1958 was about 1.4 million. Around half of it is engaged in agriculture (other than cocoa farming), forestry, fishing and mining, and fifteen per cent in cocoa farming, about six per cent in manufacturing, ten per cent in commerce and the remaining nineteen per cent in tertiary industries.

In response to the present economic development programme, there is now some evidence of growing specialization of particular agri-

¹Ghana, Government Statistician's Office - Ghana Economic Survey 1957, Table 3, p. iii.

cultural products, and of expanding internal and external trade in foodstuffs and other primary products. At the same time some small manufacturing and service industries are being established.

There are not enough reliable figures to document production trends. None the less, the present situation is fairly clear. In the resource sectors, excluding cocoa, rapid expansion is shown only by the timber industry whose annual increase in volume of production over the past five years has averaged fourteen per cent. How long this can continue is uncertain since outside the relatively unimportant Crown Reserves, the forest is disappearing rapidly, mainly because of farmers planting more foodstuffs and cocoa.

The trend of cocoa production has been fluctuating dramatically since 1946 partly because of swollen shoot disease and partly because of the farmers opposition to government agricultural policy regarding cocoa rehabilitation.² Since 1956 almost all cocoa farmers have accepted this policy of cocoa rehabilitation, and consequently immense replantings have been undertaken. It is therefore hoped that production

² When epidemic disease of swollen shoot became serious between 1950 and 1953, the government acting on the advice of the experts tried to persuade the farmers to cut down diseased cocoa trees, burn them and plant new cocoa seeds. The Cocoa Marketing Board offered £2 sterling for each diseased tree cut down, and replaced with a new grown seed or seedling from the government's nursery. But the farmers refused to co-operate, and the policy became a bone of contention in politics until 1956 when the farmers finally accepted the idea of cocoa rehabilitation. During the period of wrangling with the government, the disease devastated many farms, depriving farmers and the country of real income. This is an example of wastage of resources as a result of unnecessary politics, engineered by some members of the Opposition Party.

will rise in early 1960 as the new plantings come to production. At present productivity per acre is still low and farmers could greatly increase their output if they would spend more time looking after their farms--adoption of improved crop selection, erosion control, the more intelligent and intensive use of fertilizer--rather than indulging so much in local and national politics.

The rate of output of protein-rich food production is not keeping pace with consumption. This is clear from the increase in food imports which have been growing by seven per cent per annum over the past five years. This is one of the factors affecting the trade balance. Imports of fish, meat, dairy products and sugar are growing even more rapidly. For instance in 1958 Ghana imported protein food valued at £17.4 million which was twice as much as in 1950.

There are profitable opportunities for expanding minor crops such as rubber, coffee, bananas, tobacco and ground nuts, but so far little progress has been made in these fields.

In mining, the output of gold is restrained by its price which has been constant since 1949, despite rising cost of production. Other minerals have done well. Diamond exports have been increasing rapidly, both in value and in volume. Manganese exports are recovering from a low level in 1954, though they are not yet back to the average level of 1951/53. Exports of bauxite continue to be variable, but in 1958 its percentage of total value of mineral exports rose from two (in 1955) to ten.

Private overseas and local industrial investment is gradually increasing. A brewery established by Swiss Business interests has an average annual production of over one million gallons--about one third of Ghana's beer requirements. A cigarette making company, a subsidiary of British American Tobacco Company, is producing cigarettes from a blend of Virginian and local tobacco. A subsidiary of a British tire equipment and reconditioning company is steadily expanding production and reconditioning of tires, tubes and rubber manufactures of many types. A factory for the production of industrial gases has been established by a French company. Other industries with state partnership are cement manufacturing, household appliances and building materials. No accurate statistics are available at present for manufacturing production of the private sector. The number of the publicly owned factories which have been opened within the past five years is not so great as was expected by the government. The service industries are gradually expanding, especially in towns and cities as a result of continuous urban growth.

Although the building industry has trebled in size since 1950, housing is acutely short; as more people are moving from rural areas to big towns and cities for employment. Furthermore, road traffic has been doubling every four years since 1951 and has thus provided much employment in trade and transport throughout the country.

In comparison with domestic production, imports (both consumer and capital goods) have been rising rapidly. The value of imports has increased by eighty-two per cent since 1950 whereas exports as a

whole have increased only by twenty-five per cent during the same period. Rapidly increasing government expenditure and cocoa income have generated purchasing power which has drained into imports partly because domestic production has been unable to keep pace with consumer demand and partly because of increased government imports of capital goods for economic development. As a result of rapidly rising imports, the country experienced large trade deficits in both 1956 and 1957.

The rate at which foreign assets are diminishing gives cause for concern. It would of course be imprudent to spend heavily for three or four years, after which period all development may stop abruptly for lack of funds. Cocoa fund reserves might close the gap, but this depends upon the world cocoa price over which Ghana has little influence. This dependence upon a single crop makes the economy vulnerable and precarious.

The remainder of this chapter discusses the progress and problems of the main sectors of the Ghanaian economy, such as (a) agriculture, fishery and forestry, (b) mining, (c) manufacturing and foreign trade.

Cocoa industry--the life blood of the country--is confined to a small area. Out of 12.9 million acres of present arable land, only 3.9 million acres are devoted to cocoa. The cocoa area is entirely within the Ashanti Region and some sections of Southern Ghana; an area coinciding broadly with the zone of loamy soil and having an average annual rainfall of between fifty and sixty-five inches which is conducive to

cocoa growth. As pointed out earlier, only fifteen per cent of the known labour force is gainfully engaged in cocoa farming but this sector contributes about sixty per cent to the national income.

The typical cocoa farm is small scale, and most of the holdings are widely scattered but closely held by each extended family. Less than twenty-five per cent of cocoa plantations are operated by tenants who, to a greater extent than owners, are under the control of each tribal clan for farm management. Communal tenure of this kind is likely to have adverse effects on investment and innovation. It may dampen individual incentive to take measures appropriate for soil conservation. It may not pay the individual to invest in improving the land by fertilizers, by shade or by afforestation. Strangely enough, such disincentives have had less effect than might be expected on Ghana cocoa farmers having a high sense of community interest towards their extended family. Except that most of them have a flair for time consuming politics, they tend to work hard to bequeath the next generation both the plantations and other accumulated wealth such as gold and trinkets.

Failure to adopt modern farming methods is due to the nature of cocoa production. Cocoa production is not readily adaptable to mechanization, thus modern farming machinery could not be introduced wholesale in this type of farming. Plantation forest farming is quite unsuitable for the use of modern farm machinery without very expensive clearing of the bush and stumping or digging up roots. The topography of each farm, the presence of large stones, termite and ant hills make

the use of even animal power for drawing farm implements unlikely in cocoa plantations. However, soil conservation methods, use of insecticides and afforestation may increase further output by ten per cent per acre.

To some extent, the present form of land tenure in Ghana retards capital formation by tenant farmers. It does not affect agricultural tenants alone, but also other sectors. Since the tribal families control almost all the lands, it gives them a monopoly, and, if they so choose, could restrict the use of their lands. This perhaps is construed to be misallocation of resources.

The issue of land tenure is complex. In Ghana, at least one person in every hundred belongs to a tribal royal family which controls the land, and these people are now either in administrative positions or holding the reins of politics. Thus any legislative attempt at radical land reform would lead to a breakdown of governmental machinery. Nevertheless, unless a rational and calculated system of individual title holding, allowing for free purchase and sale of land, and safeguarding the interests of tenant farmers is devised, economic progress will be slow. A possible solution to the land tenure puzzle is gradual public education. The change will be terribly slow, thus retarding local capital formation in this sector. But it is a better price for an orderly and constructive economic development than radical changes that would lead to political chaos and anarchy, thereby defeating the economic objectives of the country.

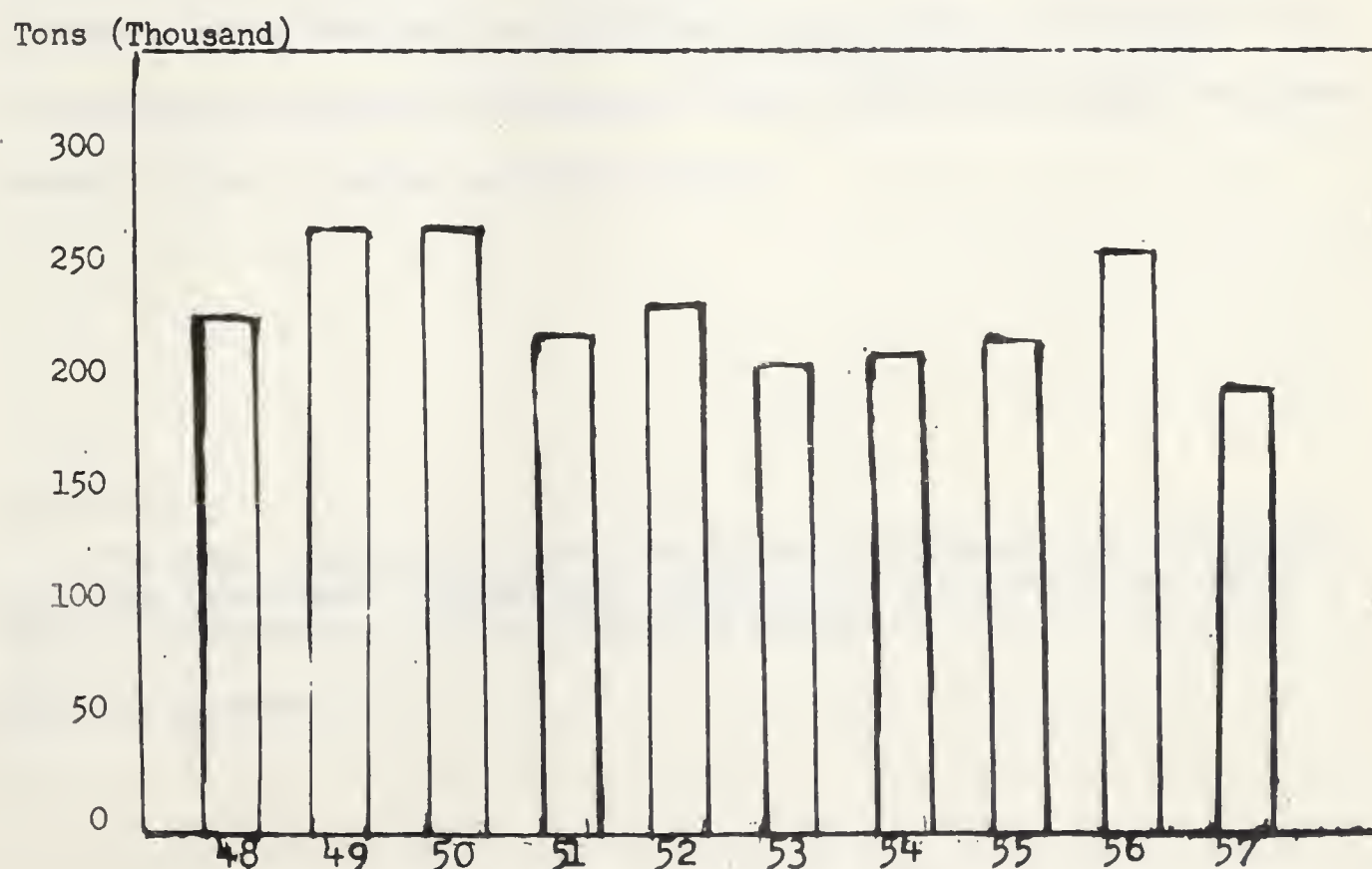
As much as we may consider present land tenure restricting



capital formation in the cocoa industry, it is doubtful whether land reform per se would enable farmer tenants to increase cocoa yields appreciably in the long run. Regardless of the world price and of the local price paid to cocoa producers by C.M.B., the yearly yields have sometimes behaved inversely. For instance, in 1956/57 crop season, the total produce was about 265,000 tons when the world price averaged £189 a ton. Conversely in 1957/58 crop season, farmers produced 206,000 tons when the world price averaged £305 per ton. During these periods farmers received 78.7 and 44.1 per cent respectively of C.M.B. receipts.

These few illustrations point out that fluctuations in cocoa yields (see Chart 3.1) could not be interpreted as farmers response to price changes.

Chart 3.1 - GHANA COCOA CROP PRODUCTION



Sources: Handbook of Dept of Commerce & Industry, 1957
Ghana Economic Survey, 1970

The supply of cocoa, unlike a manufacturing industry is not completely controlled by the farmers. The industry is biological, subject to external forces like weather conditions, and also has heavy fixed investment (land and unmovable cocoa trees with a life span of thirty years per tree). Farmers could improve the plantation yield by means of insecticides and conservation methods, but the net total could hardly be determined or controlled. The yield per year depends upon the co-operation of nature and the farmer. Hence the fluctuations in yield.

We have already pointed out that the Cocoa Marketing Board is a statutory agency with (theoretically) the power to fix the price paid to the producer, and with a complete monopoly of marketing

Ghana's cocoa crop. In practice, the local price is fixed by the Cabinet and passed to the Board for implementation, with little or no dissension since the Board members³ are almost always in agreement with the government's economic programme. Since 1958/59 crop season the cocoa domestic price is pegged at £112 per ton.

³ The Board consists of eight members and a chairman; all are appointed by the Government. Except the chairman, all the members are cocoa farmers representing the Cocoa Farmers' Union.

Table 3.1 - DISTRIBUTION OF COCOA PROCEEDS PER TON

Crop Season	Average World Cocoa Price Realized by C.M.B. £	Percentage of Total			
		Price Paid to Producers	Export Duty	Other Expenses	Boards + Profits - Loss
1952/53	240	33.2	47.0	1.7	+ 6.6
1953/54	220	68.0	23.5	4.0	+ 8.5
1954/55	355	38.0	49.5	4.9	+ 7.6
1955/56	222	65.8	27.2	8.4	- 1.4
1956/57	190	78.7	23.6	9.9	-12.2
1957/58	305	44.1	41.7	6.1	+ 8.1
1958/59	356	33.1	50.7	6.2	+10.0

Sources: Economic Survey of Ghana, 1957
Ghana, Department of Statistics, Quarterly Digest, 1959

Taking 1952/53 crop season as the base for our discussion we can see from Table 3.1 that it was only in 1954/55, and in 1958/59, that the government took a lion's share of the cocoa revenue. Other than these two crop years, the cocoa farmers have been allowed to keep a high proportion of the world price, until 1958 when the local price was pegged at £112 per ton regardless of future world price.

This type of compulsory saving is unequitable for it compels only fifteen per cent of the labour force to bear a disproportionate share of the cost of national economic development. Professor P. T. Bauer has criticized this type of taxation as detrimental to local private

capital formation. Bauer wrote:

"Here the burden is concentrated on the producers of export crops with a maximum of disincentive effect..... It is likely also to restrict the supply and effectiveness of the local entrepreneurship"⁴

and thereby retard the establishment of local private business enterprises and any anticipated development of managerial talent.

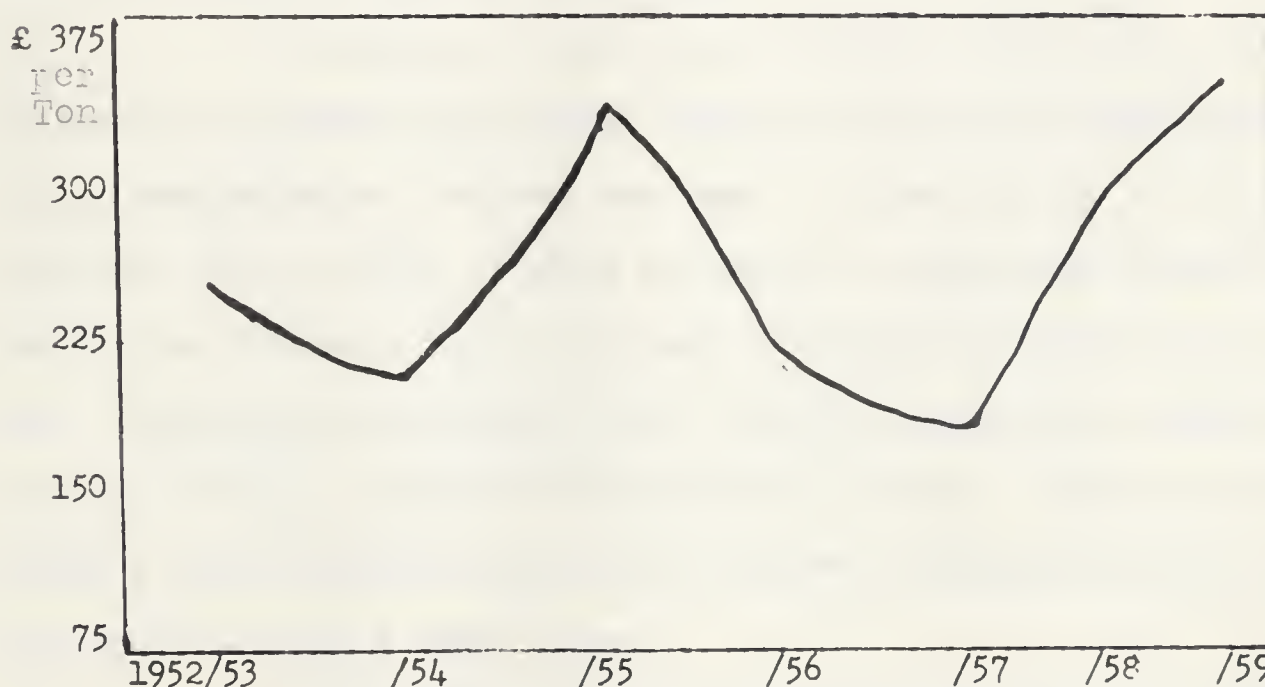
Before contemporary western economic principles have universal meaning, local social limitations must first be removed. Until then, the State could expend such "forced savings" in many sectors of the economy, hoping that local entrepreneurship will be built up and take over the State fostered industries. Hence the "forced savings" in Ghana.

The predominance of native customs in the rural areas do, in fact, work against more effective capital formation on the part of the farmers and tribal chiefs who, if not for the tax, would pocket all the cocoa receipts. (This will be discussed later in this chapter; see Section B.) It is sufficient to say here that but for the government's economic development programme which is indirectly financed by these producers little or no industrialization or diversification of the economy would have been undertaken. The funds are channelled into developments, such as health, education, transport and communication, which otherwise would not have been done by the private sector. Almost sixty per cent of development funds are obtained directly from cocoa revenue. It appears Ghana will have to rely heavily on this source of funds until she is able to obtain foreign capital.

⁴P. T. Bauer et al, The Economics of Under-developed Countries, Cambridge, James Nisbet Co. Ltd., 1959, p. 201.

Any question of disincentives on cocoa farmers as a result of this "forcing savings" is remote because C.M.B. has brought home to the farmers the uncertain future of cocoa regarding the world market. Besides, the government, working on the farmers' spirit of a patriotism, has succeeded in convincing them that industrialization of Ghana will benefit the cocoa industry and the country as a whole. Therefore the farmers have at last accepted the government's local price policy and the overall economic programme. The problem now is how fast Ghana can develop with available funds in face of fluctuating world price.

Chart 3.2 - COCOA WORLD PRICE FLUCTUATIONS
(During Crop Seasons 1952-1959)



Sources: Computed from Government Statistician, Ghana Economic Survey, 1958
Government Statistician, Quarterly Digest of Statistics, Vol. III No. 3, September 1959.

Chart 3.2 indicates recent fluctuations of world cocoa prices. The price fluctuations seem to have been almost entirely independent of supply conditions. The demand for cocoa depends not upon price elasticity in industrial countries, but upon the trade policies of those countries who import Ghana cocoa. For instance, the new tariff raised against Ghana cocoa in West Germany is a severe blow to Ghana, for West Germany is one of Ghana's important markets. (Its implications will be discussed later in this chapter; see Section B.)

In spite of world price fluctuations, cocoa still remains the most important cash crop. There are several minor agricultural cash crops, which, even though not very important at the present time, are worth discussing as part of the economy.

The output of agricultural products, other than cocoa, is difficult to estimate. At present, there is no way of securing accurate annual statistics and the level and trend of production can be correctly estimated only for crops of which the whole or a major part is exported. Experienced observers (the Agricultural Inspectors) consider that production is gradually increasing and that farmers throughout the country are enjoying a higher standard of living than in the past. They are now producing a better variety of crops for their own consumption and also more cash crops to yield a money income.

Probably Ghana farmers have in recent years increased production of vegetables and cereals fast enough to meet the domestic demand. However, domestic supply of eggs, dairy products and meat is lagging behind domestic demand.

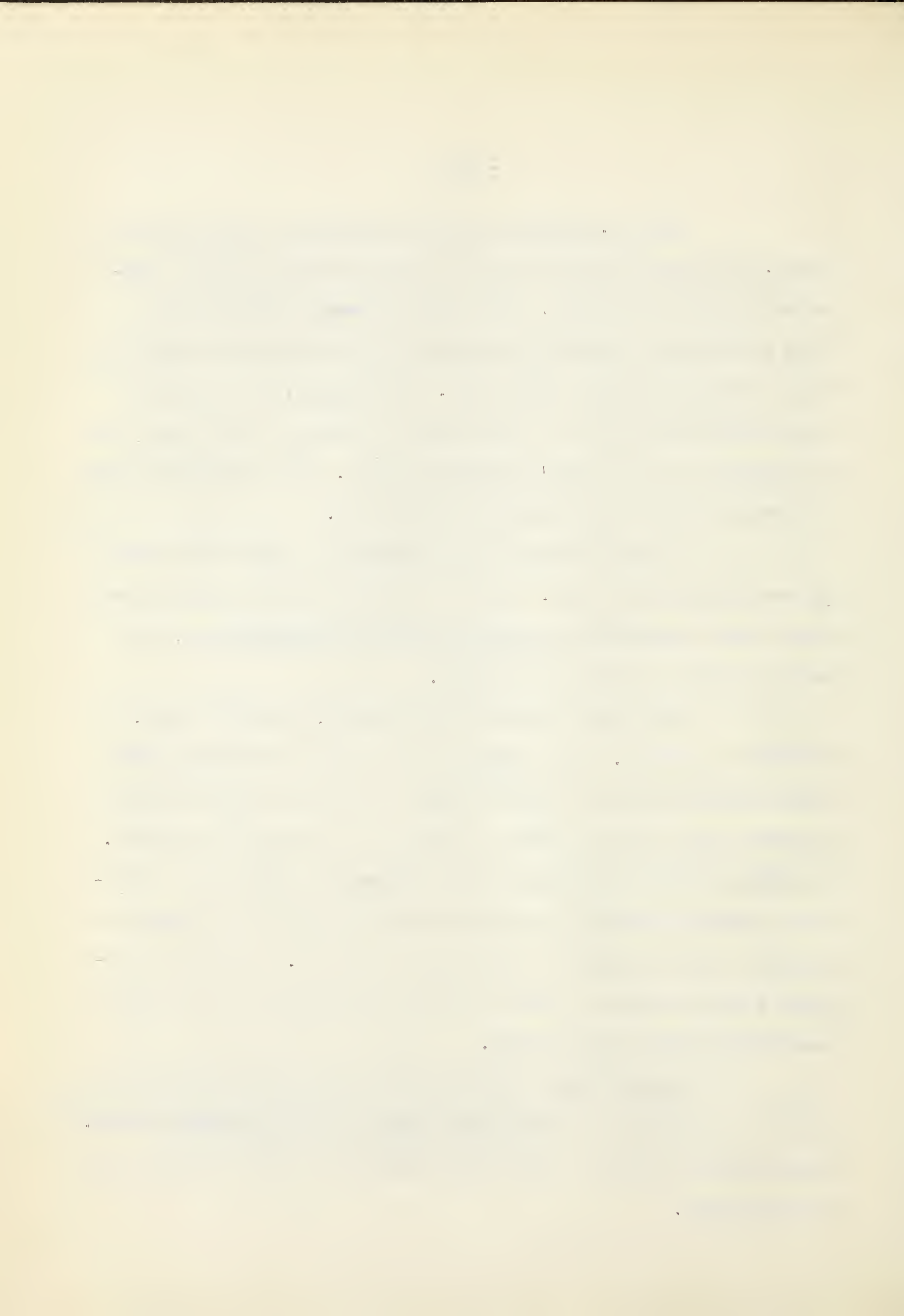


Table 3.2

PRINCIPAL AGRICULTURAL EXPORTS
(Other than Cocoa)

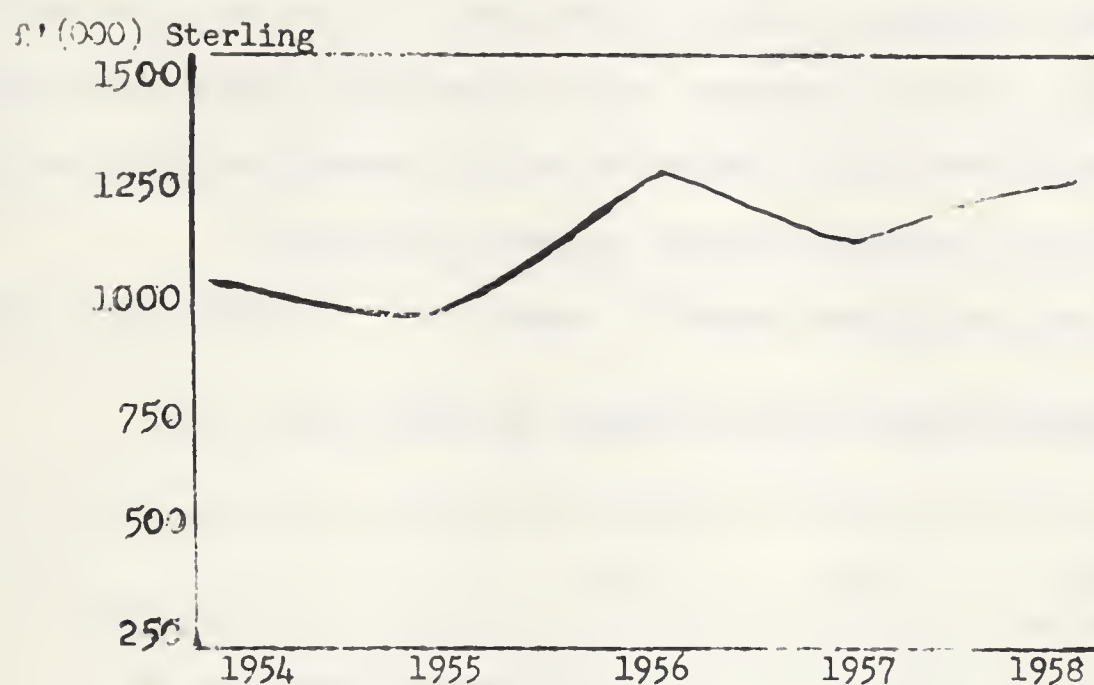
Crop	Unit	1954		1955		1956		1957		1958	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Detailed figures are not available											
Coconuts	cwt.			19,714	24,632	16,840	21,103	16,762	21,309	20,320	25,363
Copra	ton			3,028	149,934	4,722	227,781	3,199	160,267	3,083	134,371
Palm Kernels	ton			9,569	338,922	11,530	525,537	6,953	276,275	7,948	155,174
Palm Oil	ton			--	3	--	--	--	--	--	11
Kolanuts	cwt.			72,266	190,680	80,868	233,418	58,083	175,103	124,511	383,329
Other Nuts	cwt.			3,086	8,500	10,310	28,938	13,704	34,740	21,579	36,465
Lime Fruit	cwt.			4,359	4,361	638	640	28	13	--	--
Juice	gall.			73,029	7,302	155,232	15,621	223,711	22,430	230,273	24,392
Bananas	cwt.			13,220	15,562	13,660	18,267	17,085	19,945	33,519	53,638
Coffee, raw	cwt.			26,524	339,249	14,349	122,404	4,204	44,378	9,424	86,840
roasted	cwt.			--	28	1,742	20,869	2,937	43,971	--	--
Spices	lb.			46,092	720	21,737	366	24,377	641	15,813	493
Tobacco	cwt.			682	9,487	109	1,593	--	--	30	30
Rubber	cwt.			250	26,547	321	36,673	331	43,749	133	48,528
Totals of Value				1,115,927		1,253,210		842,821		1,148,634	

Detailed figures are not available

115,754

Source: Ghana Economic Survey, 1958

Chart 3.3 - VALUE OF AGRICULTURAL EXPORTS
(Other than Cocoa)



Some agricultural exports have been rising in recent years. For instance, rubber export value has more than doubled since 1955, raw coffee increased by sixty per cent, bananas by seventy-one per cent. Others however have decreased; copra by twenty per cent and tobacco by ninety-nine per cent. These decreases have been caused by rising home consumption. At the present time these five products are relatively unimportant since they constitute only 2.6 per cent of Ghana's exports. All the same, it is some indication of the beginning of diversification in agricultural sector.

Other phases of the agricultural industry are showing signs of improvement. Production of livestock is comparatively low at the present time. However, as development continues, it is expected that production will rise to meet increasing domestic demand. Now that

Ghanaians are consuming more meat and other dairy products, the livestock development is increasingly important. Livestock industry is still plagued with tsetse fly disease which kills the available breeding cattle before they reach a marketable stage. However, government programmes suggest that the disease will be eradicated in the near future.

Although the deep sea fishing industry is primitive, fishermen are responding to a government fishery development programme.

Table 3.3 - CATCH AND NUMBER OF MOTOR FISHING VESSELS

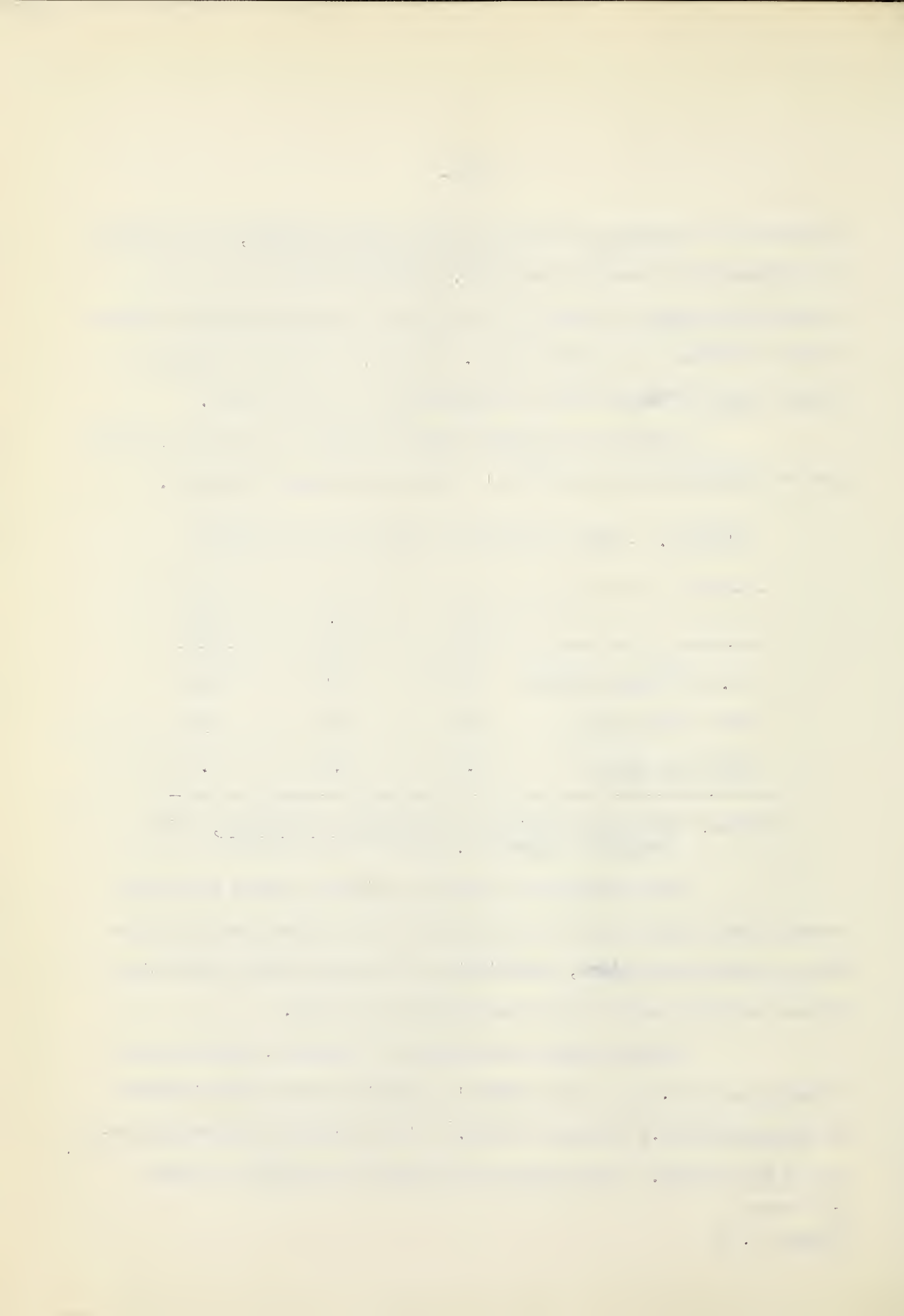
	1956	1957	1958
No. of Fishing Vessels	56	84	114
Total Catch (Tons)	330	380	856
Catch per Vessel	5.9	4.5	7.5

Source: Government Statistician, Quarterly Statistics, 1958
(available figures) p. 10

The introduction of motorized fishing vessels and an increasing daily catch call for an extension of the present marketing system to include wholesaling, provisioning and improved retail facilities, if the increasing catch is to be economically marketed.

Besides domestic (unrecorded) consumption, lumbering, contributed about 10.6 per cent of Ghana's domestic exports value in 1958 as compared with 4.4 per cent in 1949.⁵ It is becoming an important sector of the economy. But careless and haphazard utilization of forest

⁵Supra, p. 43

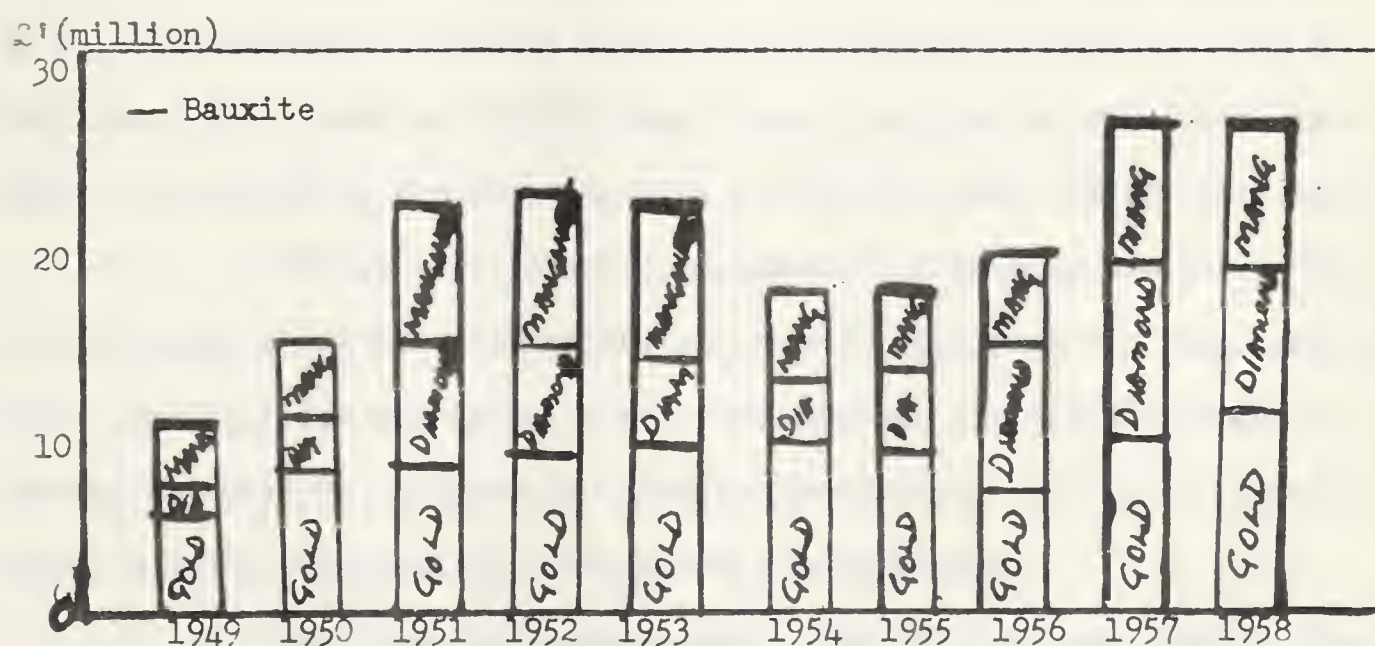


land in Ghana is steadily depleting the best forest resources. This requires attention. The present forest reserves amount to about 10.5 per cent of total land area. Conservation has been rendered difficult by the prevailing system of land tenure.⁶ At present, out of 9,200 square miles of Forest Reserves, only 63.7 square miles are Crown Reserves, the rest are "stool reserves"⁷ for the tribal chiefs and clans.

Despite the technicality of ownership of land, hardwood lumbering for export and home use is likely to expand with growing demand.

Mining in Ghana's economy is, at present, next in importance to cocoa production. The chief mineral resources of Ghana are gold, manganese, diamonds and bauxite.

Chart 3.4 - EXPORTS OF PRINCIPAL MINERALS



Source: Computed from Handbook of Department of Commerce and Industry, 1957
Ghana Economic Survey, 1958

⁶Gold Coast, Governor's Office - Report of the Forestry Department, 1952/53, pp. 1-15

⁷Great Britain, Colonial Office, Report Upon the Customs Relating to the Land Tenure in the Gold Coast, 1895

In 1949 total mineral exports were valued at £12.2 million (24 per cent of the total export value), it reached £28.1 million in 1957 and £28.4 million in 1958, more than double of 1949 total. The single most important mineral export is gold, contributing about ten per cent of 1958 domestic exports. The mining industry employs about twelve per cent of the recorded African labour force of 1.4 million in 1958.

Production of these minerals are, of course, much geared to fluctuating world demand. Production of bauxite so far has been on a small scale. But it is likely to become an important fixture in the economy of Ghana, both for home consumption and outside market to Great Britain. Ore reserves are estimated at 200 million tons and when the Volta River scheme is completed the production of the ore may greatly increase. It is estimated that the total production of aluminium from the Volta installation may amount to 210,000 tons a year, and its value to Great Britain is increased by the fact that its source lies with the sterling area.⁸

Whilst gold, diamond, manganese and bauxite are the principal minerals, there is considerable activity in quarrying for home consumption. Drilling for oil is going on in the Western and Northern Ghana as part of the Gulf Oil Concession. Manufacturing also, both public and private, is being pioneered and fostered by the government.

The growth of manufacturing industry proceeds slowly. The most infant plants are printing and publishing, furniture, soft drinks

⁸Great Britain - Colonial Office - The Volta River Scheme, Cmd Paper 8702, 1952

and bakeries. Operation on true factory scale is found only in soap, edible oils, matches, cigarettes and brewing. Most of these factories are government sponsored. Government participation in manufacturing industry is carried out by the Ghana Industrial Development Corporation (I.D.C.).⁹ The Corporation operates seventeen fully owned companies and participates in partnership with ten others. The Corporation is considering building other factories to include a large processor of aluminium sheets, roofing materials and aluminium utensils, a flour mill and a clinker cement plant. Also negotiations are in hand for establishment of a textile mill. Reliable production statistics are not available. As production of these industries increases to meet local demand, the trade balance will likely improve.

Ghana's slowly growing wealth is largely due to external trade based on primary products. Ghana's trade policy is much tied to that of the United Kingdom government. It has been the policy of Ghana to allow greater freedom in the import trade by placing more commodities on Open General Licence. As a result of negotiations and agreements through the General Agreement on Tariffs and Trade (G.A.T.T.), Commonwealth Conferences, and the relaxation on dollar restrictions within the sterling area, imports of practically all commodities are permitted either under Open General Licence or under Quota Licence.¹⁰

⁹A statutory Board established in 1951.

¹⁰Quota Licence was instituted in 1945 by the old colonial administration to conserve hard dollar currency in the sterling area.



An increasing demand for quality manufactured goods and for capital goods for economic development have led to rapidly rising imports since 1949. The value of imports increased by 112 per cent between 1949 and 1957.

All told, the pattern of changes since 1949 has not been the same for all sections of the Import List. All except one of the major sections of the List showed increases in the average value index ranging from two points in food, beverages, tobacco and miscellaneous manufactured articles to eight points in mineral, fuel and chemicals. The sharp increases in the total volume of imports in recent years (1955-1958) as compared with past years (1945-48) were accounted for mainly by marked increases in foods, mineral fuels, textiles, but chemicals and miscellaneous articles also increased in volume and value of trade.

Continuing relaxation of licensing controls and dollar restrictions in the sterling area after the Second War and the emergence of alternative sources of supply, has resulted in a decline in the proportion of total imports obtained from the United Kingdom. The United Kingdom's share of Ghana's import trade began declining from 1949 (57.7 per cent) until it reached 43 per cent in 1958, (see Table 3.4, p. 42). Within the same period the trade with Western Europe (excluding the United Kingdom) has steadily increased. Together these countries account for about 30 per cent of total imports. Half the trade is with Netherlands and Western Germany; none the less, the United Kingdom retains her position as Ghana's major supplier. The whole sterling area's share in Ghana's total trade has changed

IMPORTS OF ORIGIN

Table 5.4

Country of Origin	Value £1 (million)									
	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
<u>Commonwealth Countries</u>										
United Kingdom	26.2	27.0	34.0	38.0	43.0	35.0	42.0	41.7	40.7	37.5
Rest of Sterling Area	2.8	3.0	4.0	3.4	3.2	3.5	5.2	5.5	5.9	3.4
Canada	0.6	0.4	0.6	0.2	0.6	1.2	0.8	0.9	1.0	0.8
<u>Foreign Countries</u>										
Non-sterling OEEC countries and possessions	10.5	11.3	16.7	15.6	17.2	19.2	23.0	22.9	25.6	19.3
United States of America	2.5	2.7	3.4	4.8	4.0	2.8	3.3	3.4	4.7	4.3
Latin America	-	0.1	0.1	-	-	-	-	0.7	1.9	1.0
Japan	1.7	2.5	4.0	2.8	4.0	6.0	9.0	9.0	10.0	6.7
Other Countries	0.3	1.1	1.0	1.8	1.8	2.0	3.2	3.0	5.2	11.0
Parcel Post	0.8	-	-	-	-	1.5	1.5	1.8	1.6	0.8
Total	45.4	48.1	63.8	66.6	73.8	71.2	88.0	88.9	96.6	84.6
<u>Percentage of Total Value</u>										
Country of Origin	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
<u>Commonwealth Countries</u>										
United Kingdom	57.7	55.1	53.2	57.0	58.2	49.0	47.7	46.9	42.3	43.2
Rest of Sterling Area	6.1	6.2	6.2	5.1	4.3	4.9	5.0	6.2	6.1	4.1
Canada	1.3	0.8	0.9	0.3	0.8	1.6	0.9	1.0	1.0	0.9
<u>Foreign Countries</u>										
Non-sterling OEEC countries and possessions	23.3	23.5	26.0	23.4	23.3	26.9	25.0	25.8	26.5	22.8
United States of America	5.5	5.6	5.2	7.2	5.5	3.9	3.7	3.8	4.8	5.1
Latin America	-	1.8	0.1	-	-	-	-	0.8	1.9	1.2
Japan	3.7	5.0	6.3	4.2	5.5	8.7	12.2	10.2	10.3	8.0
Other Countries	0.7	2.0	2.1	2.8	2.4	2.9	3.6	3.3	5.4	13.7
Parcel Post	1.7	-	-	-	-	2.1	1.9	2.0	1.7	1.0
Total	100	100	100	100	100	100	100	100	100	100

Source: Handbook of Department of Commerce and Industry, 1957
Economic Survey of Ghana, 1958

1 2 3 4 5 6 7 8 9 10

11 12 13 14 15 16 17 18 19 20
21 22 23 24 25 26 27 28 29 30
31 32 33 34 35 36 37 38 39 40
41 42 43 44 45 46 47 48 49 50

51 52 53 54 55 56 57 58 59 60
61 62 63 64 65 66 67 68 69 70
71 72 73 74 75 76 77 78 79 80
81 82 83 84 85 86 87 88 89 90

91 92 93 94 95 96 97 98 99 100
101 102 103 104 105 106 107 108 109 110
111 112 113 114 115 116 117 118 119 120
121 122 123 124 125 126 127 128 129 130

very little within this ten-year period (1949-1958) because it still has an average of 56.9 per cent of Ghana's imports.

Available information regarding Ghana's exports by countries is quite inadequate to portray the trend of export changes.

Table 3.5 - VALUE OF EXPORT OF DOMESTIC PRINCIPAL PRODUCE
(During Each Calendar Year)

(£'million)

	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
Cocoa	34.0	54.6	60.3	52.5	56.2	84.6	65.6	51.1	50.9	62.3
Gold	6.4	8.7	8.6	9.2	9.5	9.9	9.1	7.5	9.8	10.6
Diamonds	1.5	2.7	6.4	5.4	4.0	4.3	5.5	8.0	9.0	8.6
Manganese	4.0	5.0	7.2	8.3	8.7	5.1	5.1	7.0	9.0	8.6
Bauxite	0.3	0.2	0.2	0.2	0.2	0.3	0.2	0.3	0.4	0.5
Timber	2.2	3.9	5.0	4.2	5.9	6.7	8.0	9.5	9.5	10.9
Others	1.5	2.9	4.2	6.5	5.5	3.8	2.0	3.2	2.8	2.6
Total	49.9	78.0	91.9	86.3	90.0	114.7	95.5	86.6	91.4	104.1
Cocoa as percentage of total exports	68.0	66.0	65.0	60.0	62.5	73.6	68.0	59.4	55.6	59.7

Source: Handbook of Department of Commerce and Industry, 1957
Economic Survey of Ghana, 1958

The exports of Ghana are mainly primary products which, as already pointed out, are quite sensitive to world price fluctuations. Allowing for these fluctuations in price, the total value of the country's

1	2	3	4	5	6	7	8	9	10
11	12	13	14	15	16	17	18	19	20
21	22	23	24	25	26	27	28	29	30
31	32	33	34	35	36	37	38	39	40
41	42	43	44	45	46	47	48	49	50
51	52	53	54	55	56	57	58	59	60
61	62	63	64	65	66	67	68	69	70
71	72	73	74	75	76	77	78	79	80
81	82	83	84	85	86	87	88	89	90
91	92	93	94	95	96	97	98	99	100

domestic principal exports has increased by 109 per cent from 1949 to 1958 (Table 3.5, p. 43). Cocoa still leads the export list with an average percentage of about 63.6; gold, manganese, diamonds and timber in order of importance. Each product has been discussed earlier, except the trend of exports by destination.

Table 3.6 - EXPORTS OF DOMESTIC PRODUCE BY DESTINATION

Export by Destination	Percentage of Total Value				
	1954	1955	1956	1957	1958
<u>Commonwealth Countries</u>					
United Kingdom	40.7	35.2	34.5	37.3	36.8
Rest of Sterling Area	2.3	2.0	6.1	3.8	4.5
Canada	0.2	0.1	1.0	1.0	0.6
<u>Foreign Countries</u>					
Non-Sterling					
Countries and Possessions	36.8	36.4	37.4	35.0	36.3
United States of America	16.9	15.3	18.5	15.8	19.2
U.S.S.R.	-	5.8	-	6.8	0.4
Other Countries	3.1	5.2	2.5	0.3	2.2
	100.0	100.0	100.0	100.0	100.0

Source: Computed from Handbook of Department of Commerce and Trade,
Ghana Economic Survey, 1958 1957

The trend of Ghana's export trade with other countries follows the same pattern as imports.

Amongst the European Economic Community (E.E.C.) countries, Western Germany is Ghana's best market. Therefore, it is likely that the recent increase of tariff from five to nine per cent ad valorem on cocoa,

as imposed by Western Germany, will affect the pattern of Ghana's exports.

In outlining the flow of imports, we noted that as a result of the government economic programme, and other consumer demands, Ghana is drawing heavily on its foreign reserves. The gradual deterioration in Ghana's external trade balance¹¹ began in 1955, but in 1958 a favourable world price of cocoa and slow down in home demand helped check imbalances of 1956 and 1957.

Fluctuations in Ghana's balance of payment are mainly due to variations in its raw material export earnings. The most important price fluctuation is that of cocoa. The cocoa export tax is such an important part of revenue that it is difficult to budget intelligently for capital investment. These price changes make the economy precarious and diversification highly desirable.

For the past six years it has been the aim of the government to achieve a balance between public and private investment. Although some progress has been made there is still some way to go before the position can be regarded as satisfactory. The public sector of the economy is expanding rapidly owing to government expenditure on economic development programmes. On the other hand, relatively little capital formation is taking place in manufacturing industry especially and to some extent in agriculture and in mining. Private investment up to 1955 averaged about one third of gross fixed investment. Later figures are not complete, but there is no reason to think that the situation has changed significantly.

The problem of dependence of a predominantly agricultural

¹¹See Appendix IV

country on a single crop is certainly more serious than simple statistics suggest. But encouragement of some manufacturing and other industries as part of the plan of deliberate diversification has also not been without hurdles.

B. RELATED PROBLEMS

In our preceding discussions we have seen that Ghana's present wealth and prosperity depend mainly on cocoa. This product, however, is very sensitive to changes in crop conditions and in the world prices. Taking 1952/53 cocoa world price per ton as the base (see Table 3.1, p. 31), the price fell by eight per cent in 1953/54, it went up in 1954/55 by 44 per cent and then started to decline from 1955/56 until 1958/59 when it recovered and went up again by 48 per cent. This picture --unpredictable fluctuation and uncertainty of income--is a matter of serious concern. These fluctuations are the most important single influence on government development activity and on the other sectors of the economy. A substantial part of the funds for development (both private and public) is obtained either directly or indirectly from cocoa earnings.

Owing to the present difficulty of levying personal income tax in Ghana, export duties on cocoa are the mainstay of the government budget, though they may sometimes appear in the budget in the guise of royalties or loans from the Marketing Board. Even other private companies ability to pay corporation income tax depends more or less on the performance of cocoa income in the export sector.

Government capital expenditure is closely determined by

cocoa price trends. For example, when the primary products boom of 1950 and 1954 increased tax revenue substantially, the government used a large fraction of the rise to commence the 'ambitious' First Development Plan. The subsequent decline in cocoa export price in 1956/57 was reflected in a decline in public capital investment. The development plan was consequently consolidated and Ghana began to draw heavily on her reserves and long term security holdings in the United Kingdom as well as the Reserves of the Cocoa Marketing Board. Continuous borrowing from the Board reserves will exhaust them if cocoa prices dip violently again in the near future.

To some extent, internal stability is being maintained partly by using the cocoa stabilization fund to stabilize the agreed cocoa farmers' incomes, and partly by the trade unions response to the government policy of keeping the cost of living down. For example, in December 1957, the index of retail prices had risen since 1953 by only eight per cent as compared with nine per cent in Western Germany, thirteen per cent in France and eighteen per cent in the United Kingdom. Nevertheless, the danger of latent inflation in Ghana is not completely averted. It requires all fiscal, monetary and trade policies--perhaps rationing--which in a new developing country are difficult to implement without dislocating some phases of the industrial growth.

A major problem is to find other sources of funds or savings for capital investment. At the rate of government borrowings from C.M.B.,¹² we may expect the cocoa producers raising objection to it, if

¹²See Appendix II

eventually, government turns to the cocoa Stabilization Fund. Probably this may flare up as a political issue which, if carelessly handled, will bring the government down, and thereby defeat the country's economic objective. This Sword of Damocles hanging over the state limits the internal source of liquid reserves. Thus its borrowing capacity, both internally and overseas, is now small in comparison to the level of her present investment expenditure.

What about borrowing from the Central Bank? The government's inability or unwillingness to finance development by expanding the fiduciary part of the currency issue is partly due to conventional and constitutional limitations on the money supply.¹³ Even where there are no such limitations, the attempt to maintain an increased rate of investment, after export incomes have fallen back, may mean a critical deterioration in foreign reserves or, if that is avoided by use of exchange controls, a heavy pressure of excess demand in the internal market. In either event the government may find it difficult to keep up a high level of investment if fluctuations in cocoa export incomes are not stabilized. The cocoa price swung from £566 a ton c.i.f. London in July 1954 to £168 a ton in February 1957 and back again at £318 a ton in December 1957. The Food and Agriculture Organization of the United Nations has set up a committee to study the possibility of an international agreement, *inter alia*, to reduce fluctuations in the price of cocoa. The Ghana Government participated in these discussions, and a recent meeting in Hamburg decided against stabilization now. This, in essence, leaves Ghana with her problem.

¹³ Ghana currency is tied to sterling and the rules of the sterling exchange standard have checked currency expansion in the past.



Not only does fluctuating cocoa income affect government capital expenditure, but also capital formation in the private sector. The various changes in consumption and investment result in changes in imports. Fluctuations which enter the economy through its exports finally flow out again as fluctuations in payments for imports of goods and services. As the profits of companies fall, resulting from a reduced consumption, any anticipated expansion by the private sector is likely to be curtailed or shelved. Surely, one may ask if Ghana has other attractive investment possibilities in export industries, she may be able to attract savings either from abroad or from other sectors of the economy? Or what becomes of personal savings? Or how do the commercial houses and chartered banks treat their respective increases in earnings and in deposits? The answer to these questions is simple. Foreign investors or lenders, and until recently the local private sector (largely in the hands of Europeans), have been unsympathetic to Ghana's course of development.

Until July 1959, when a withholding tax of six pence in a pound was imposed to reduce outflow of capital to a minimum (to be discussed later), both commercial houses and chartered banks invested their profits (after tax) abroad as the sterling exchange standard allows free capital movement to other sterling area countries. Even if Ghana's Central banking system¹⁴ is well developed, its exchange control policy could not effectively check the outflow of capital to another sterling

¹⁴ We have already pointed out (supra, p. 40) that Ghana is within the sterling area, and is therefore committed to allow free movement of capital within the sterling area.



country as long as "this standard of free sterling exchange within the bloc" continues to be the accepted principle of all members of the sterling area.

Besides this, even though the tax was intended to make the existing companies ~~push~~ back their accumulated earnings for expansion so as to foster economic growth, the tax is ^{not} without adverse effects. One of its possible effects is the likelihood of deterring any anticipated foreign investors. This is one of Ghana's puzzles.

Now, what about farmers' and petty traders' personal savings? If there is any at all, most of it is hoarded. The farmer is likely to spend his income to meet his external family obligations. The old marriage system of polygamy which was an economic asset for the agrarian society in the past is now a drain on the individual's financial resources. An average Ghanaian can hardly save any part of his income because of responsibilities towards all members of his tribal clan. In the first years of good cocoa price, the farmers of Ghana tended to spend their money on marriage and on consumer goods such as bicycles and gramophones.

While this high propensity to consume imported manufactured goods did, in fact, increase business profits, these profits¹⁵ were remitted to parent-companies in Europe.

Under these circumstances, private capital formation becomes difficult, if not impossible. But to get the maximum rate of

¹⁵As a result of the withholding tax imposition in 1959, and of the United Kingdom Government's new tax law under Overseas Trade Corporation Act, European Company's practice of overseas remittances is modified.

growth it is necessary that private investment as well as foreign aid or loans should be forthcoming more readily than hitherto. The expansion of private investment (both local and foreign) has been slower than could be hoped for. Furthermore, Ghana has not been able to obtain foreign loans, not even a loan from the International Bank for Reconstruction and Development (I.B.R.D.). The numerous missions of other governments which have visited Ghana give evidence of increasing interest in the country as a market rather than a field of investment. Perhaps the future may change for the better, but at present it is discouraging.

Besides these financial puzzles, there are other problems which in varying degrees impede economic progress. The social structure; (a) family institutions and values, (b) the present organization of public administration and the colonial mentality of most of its senior African civil servants, and (c) land tenure and other aspects of the society, do in fact retard economic growth. Since these are largely outside the scope of this thesis, they will be dealt with briefly.

The extended family often acts as a means of social security to almost all members of a family. As any distressed member of the family could easily fall upon the institution for help, he is likely to be less resourceful. Again, since the "wealthy" amongst this family system is obligated to care for all extended relations he is prone not to utilize all his resources to the full. Perhaps this made Dr. Busia (a Ghanaian), in outlining social problems which deter Ghana's economic growth write:

"You might talk to us about the importance of investing capital, and you might give us all the trappings of high production, but if the individual has no integrity and no honesty the economic system may break down. In the same way, you might introduce the machine and give us all the trappings necessary for increased production but if the labourer sits by the roadside three hours waiting until a supervisor appears and then makes a spurring effort, all the calculations about development and production are going to go wrong."¹⁶

Although the spirit of enterprise is lively among young Ghanaians, and the rising prices of export primary products have favoured development of some indigenous industries, there has been very little evidence of any substantial native initiative of building industries apart from those which either have been European controlled or centrally fostered, partly because of the traditional reluctance on the part of some foreign firms to employ native people above the level of clerks.

Economic development creates a great demand for competent administrators, whether in business or public service. Much of the administrative experience can only be gained by offering young Ghanaians the opportunity. But as long as Ghanaians are denied of opportunities, the country's economic growth is likely to be held up by dependence on foreign enterprise.

This problem is aggravated by the mentality of some African senior civil servants who resist change. A desire for economic growth should be backed up by ability and willingness of those in authority in the public administration to implement new policies for the good

¹⁶Bank, A. L., ed., The Development of Tropical and Sub-Tropical Countries, London, Arnold, 1954, p. 11

of the whole country. Technical assistance becomes meaningless when top officials willy-nilly fail to put them into force, or are reluctant to give young trained personnel the chance to use their newly acquired knowledge to meet the country's economic objectives.

As pointed out earlier, land tenure is a complicating question which is not easy of solution. There is undoubtedly a great wastage of effort at the present time by way of litigation over land cases, and a wastage of valuable initiative and incentive due to the difficulties experienced by any progressive farmer in putting his ideas into operation especially if this involves increasing his area of land.

All in all, these internal problems, coupled with the government's inability to borrow funds for economic development, make the country's industrial growth very slow and sometimes uncertain, especially the Volta River Project.¹⁷ Neither the I.B.R.D., nor any foreign lending

¹⁷ The Volta River Project which was first brought to the attention of the general public as a result of a United Kingdom White Paper (Cmd 8702) published in 1952 envisages large scale hydro-electric development and aluminium production in Ghana. The project has been delayed by the United Kingdom Government because of political factors--perhaps because of Dr. Nkrumah's anti-colonial declarations.

The project includes the construction of a dam across the Volta River, a power station capable of generating about 1 million kilowatts, a smelter that would use the greater part of this power for the manufacture of the aluminium from the large deposits of bauxite in the country. The power will also be used for future manufactures and by other industries, and for electrification of the whole country. The White Paper outlined a scheme in which Ghana and the United Kingdom Governments would participate, with two aluminium companies--Aluminum Limited of Canada and the British Aluminium Company--which had been associated in the preliminary investigation. According to the White Paper, the project is technically sound but the total cost is likely to be in the neighbourhood of £230 million. However due to political reasons, both the United Kingdom Government and the two aluminium companies dropped the project in 1952, leaving the Ghana Government alone to bear the whole cost of the undertaking if and when the project is begun.

At this juncture, Ghana's industrial future which was hinged on the Volta River Project became grim and uncertain.

house, nor any foreign government, has offered to assist Ghana financially. As Ghana is now drawing heavily on her limited foreign exchange reserves and since market prospects of cocoa industry are uncertain, it is difficult to envisage the outcome of any of Ghana's industrialization programme whose implementation and completion depend upon present and future cocoa revenue. All attempts to stabilize the world cocoa price through the Food and Agricultural Organization (F.A.O.) have come to nought. Thus, very little can be said about the prospects for Ghana's export economy, dependent as they are on the fluctuating world price of cocoa.

This then is Ghana's economic situation--infested with uncertainties and hurdles. The dependence is precarious because adverse changes in the world market for one or few commodities, especially cocoa, may undermine completely the economic position of the country. Albeit, the answer to the whole problem is a slow but effective long-term growth towards a more diversified, industrialized and integrated economy.

But how will Ghana diversify and with what means? The immediate solution, as a necessary evil, is government intervention in the economy with the only available means--fiscal policy.

The Prime Minister, Dr. Nkrumah, in his policy speech to the Ghana Parliament in 1954 said:

"The House is well aware of the proposal to produce electricity by damming the Volta River and to construct an aluminium smelter. In addition, the Government is anxious that the economy of the country should be expanded in other directions. It has for some time been considering the possibilities of progressive industrial development in the Gold Coast and has examined the problems

and difficulties which would emerge from the implementation of such a programme.

"We are satisfied that there is ample scope for establishment of many new enterprises.

"In formulating its policy the Government has accepted the fact that it will be many years before the Gold Coast will be in a position to find its own (adequate) resources and people who can combine capital with the experience required in the development and management of new industries. It is, therefore, apparent that the Gold Coast must rely to a large extent on foreign enterprise and the Government is anxious to give it every encouragement.

"The Gold Coast has reserve funds which could be made available for investment in small and large scale enterprise with local or foreign private partnership."

But the anticipated private investment of foreign capital was not forthcoming; he continued,

"Therefore the government proposes to take steps to build up and extend the industrial structure of the economy."¹⁸

In the same vein, the Minister of Trade and Commerce in introducing the 1956/57 Estimate for his Ministry emphasized,

"It is the Government policy to do everything in its power to encourage the establishment of new industries in Ghana, especially those connected with processing of local raw materials."¹⁹

Hence, the Government's increasing activity in the whole economy.

¹⁸Ghana, Development Commission, Statement on Capital Investment made by the Prime Minister, in the Gold Coast Legislative Assembly, March 1954, pp. 1-6.

¹⁹Ghana, Ministry of Trade and Commerce, Handbook of Commerce and Industry, 1957, P. 20



The traditional purposes of a budget are to present the financial position of the government and to propose tax changes which are necessary for carrying out of government services and activities. In Ghana--as in other countries--the budget has become a vehicle for pronouncement of the government's attitude towards economic development and social changes. Thus, as the country's economy is now positively being developed so also is its public finance. This stands in direct contrast to the last hundred years in which sources of revenue were meagre and government services were limited.

Its evolution has tended towards increasing the importance of national finances vis-a-vis central and local finances. The finances of the departments and municipalities are now regulated to a large measure by the national legislature and are co-ordinated to achieve national development. In this respect, the national budget which during the 1930's accounted for less than one-twelfth of the total national expenditure now accounts for about one-fourth.

the following is a list of the names of the persons who

have been named in the above mentioned document.

The names of the persons who have been named in the

document are as follows: (1) John Doe, (2) Jane

Smith, (3) Robert Brown, (4) Mary White, (5) Thomas

Green, (6) William Black, (7) Charles Grey, (8) David

Gold, (9) Benjamin Silver, (10) Isaac Copper, (11) Jacob

Iron, (12) Daniel Lead, (13) John Tin, (14) James

Mercury, (15) William Zinc, (16) Charles Nickel,

(17) Thomas Copper, (18) David Silver, (19) Benjamin

Gold, (20) Isaac Iron, (21) Jacob Lead, (22) Daniel

Tin, (23) John Mercury, (24) James Zinc, (25) William

Nickel, (26) Charles Copper, (27) Thomas Silver,

(28) David Gold, (29) Benjamin Iron, (30) Isaac Lead,

(31) Jacob Tin, (32) Daniel Mercury, (33) John Zinc,

(34) James Nickel, (35) William Copper, (36) Charles

Silver, (37) Thomas Gold, (38) David Iron, (39) Benjamin

Lead, (40) Isaac Tin, (41) Jacob Mercury, (42) Daniel

Zinc, (43) John Nickel, (44) James Copper, (45) William

Silver, (46) Charles Gold, (47) Thomas Iron, (48) David

Lead, (49) Benjamin Tin, (50) Isaac Mercury, (51) Jacob

Zinc, (52) Daniel Nickel, (53) John Copper, (54) James

Silver, (55) William Gold, (56) Charles Iron, (57) Thomas

Lead, (58) David Tin, (59) Benjamin Mercury, (60) Isaac

Zinc, (61) Jacob Nickel, (62) Daniel Copper, (63) John

CHAPTER IV

DEVELOPMENT PLANS

Industrialization has been regarded by the government as a panacea for Ghana's economic fragility and poverty. It was argued that the high standards of living which have been achieved in some countries during the past century and a half have been due in the main to the growth of the industrial system. This has raised productivity in the industrial countries in which it has occurred, and increased the contrast between the wealth and the poverty of the rest of the world.

In the absence of private initiative and enterprise in Ghana, the government has assumed a large responsibility for the country's economic development. Thus projection of public expenditure is now based on the idea that the government's fiscal policy is to play an essential part in strengthening, diversifying and intensifying the rate of economic growth. The government must not only be in a position to allocate larger resources to direct capital formation through official investment programmes, but will also need to provide for social services. Consequently, the Government of Ghana is plagued with the problem of determining the development plan by reference to (a) the total size of national income, (b) the allocation of resources between competing producer goods and consumer goods projects, (c) the allocation of funds among investment projects which are considered conducive to the achievement of balanced and integrated economic development, (d) the effects upon local and individual initiative, (e) the maintenance of stability in the face of socio-economic changes,



and (f) the expansion of trade with other nations.

These are a few of the problems being encountered by the Government of Ghana in formulating the development plans and implementing them to achieve the economic objective of industrialization. It involves many issues which offer no easy answers. To achieve the economic objective in a "planned economy" other objectives will fall short of desired levels.

The total size of each development plan in no way provides a blue print in terms of ideal patterns of economic growth due to changes in availability of resources and in price trends. Therefore a continual examination of the circumstances and potentialities of each plan is necessary. As capital formation is a prerequisite for future economic growth, it is also likely that a larger proportion of resources would be allocated for producer goods rather than for consumer goods. Of course it is continual effective demand for consumer goods which serves as a catalyst for further producer goods. Thus strict control, either monetary or otherwise, on consumer goods in favour of capital goods may tend to undermine economic growth. This is another dilemma facing the state in its role of allocating available resources amongst competing sectors. Unless the people, anticipating future materialism, are willing to tighten their belts for capital goods at expense of consumer goods, the development plan will be defeated.

Another task for the government appears to be to determine an appropriate balance between current "social investment" (general admin-

istration, health, education and other community development services) and what is called "productive or economic investment". Often the formulation of a development plan implies that available resources must be allocated, perhaps, to two clearly defined purposes of current social investment and productive investment. The distribution of resources between the two objectives is based on the assumption that the state's main effort to increase capital formation will take the form of moderate expansion of current expenditure on lines such that a proportionally larger quota of resources will be transferred to the capital investment account. In other words, even if it is taken for granted that ordinary expenditure will rise in absolute terms, it should do so to a lesser extent than total expenditure, so as to allow of a greater increase in public investment.

In initial stages of economic development of Ghana where almost all phases of the economy are undeveloped, any distinction between current¹ and capital expenditure for allocation of resources is arbitrary. Because it must not be forgotten that public expenditure of this kind represents intangible investment, as by raising the standard of living of large sectors of the community, it indirectly contributes to the improvement of productivity. Public health, educational services and the backwardness of the social services may prove to be factors, which if neglected in initial stages of economic development may restrict the development itself.

Without a better judgement, over-eagerness of a country for rapid industrialization may tend to influence a government's planning to

¹Nevertheless Ghana still distinguishes between current and capital expenditure. See Table 6.4, p.

devote more than necessary resources to what is referred to as productive investment, thereby ignoring the basic social investment. The best an underdeveloped country's government could do in its planning is to pay equal attention to these two equally important priorities, so as to have a balanced and integrated plan.

The Government of Ghana, trying to find a solution to this labyrinth of planning, drew the country's First Eight-year Development Plan (1951)² with a greater stress on social investment--general administration, health education, housing, transport and communication--whilst in the Second Five Year Plan (1959) much emphasis was laid on capital investment.

²See Table 4.1, p. 61

The First Plan (1951) was respective departmental development plans, drawn up by each department which were later co-ordinated in the Prime Minister's Office, for cabinet approval. It was then submitted to the Legislative Assembly for final approval and implementation.

Late in 1954 a Development Commission, a division of the Prime Minister's Office, was established with the responsibility of drawing up future economic plans. In 1956 Professor Arthur Lewis was appointed to be the head of this Development Commission as an expert and to advise the government on development programmes. The Second Plan (1959) was drawn up under supervision of Professor Lewis. Investigations, recommendations and reports to the government on the Second Plan have not yet been made available to the public. The only way of knowing what the government intends to do as far as economic development is concerned is from government policy declarations and publication of the Plan itself, its presentation to and approval of the Parliament.

We may note that there has been no extensive United Nation's Economic Survey of Ghana.



DEVELOPMENT EXPENDITURE¹
(1951 - 1964)

ALL SERVICES

Table 4.1

KIND OF SERVICE	First Development Plan 1951 - June 1959			Second Development Plan July 1959 - June 1964	
	Esti- mated Project Total £mil- lion	Actual Total Expen- diture £mil- lion	Per cent of Total Expen- diture	Estimated Project Total £million	Per cent of Estimated Total Project
<u>Social Investment</u>					
General Adminis- tration	18.6	18.5	12.6	13.7	4.0
Defence, Law and Order	6.6	6.6	4.6	7.7	2.3
Local and Region- al Administra- tion	-			18.9	5.0
Social Services:					
Health)					
Education)	39.6	36.0	24.5	88.6	26.0
Housing)					
Public Utilities	15.6	14.8	10.1	11.5	3.4
Transport and Communications	50.0	53.1	36.2	53.0	15.4
<u>Productive Investment</u>					
Agricultural and Industry	12.4	14.2	9.6	50.0	14.8
Volta River Project	1.6	1.7	1.2	100.0	29.1
Advisory (Experts)	1.7	1.7	1.2	-	
	146.1	146.6	100.0	343.4	100.0

Source: Government Annual Budget Estimates 1951-5
Ghana Economic Surveys, 1957 and 1958

¹Excluding ordinary expenditure. ²Includes advisory.
The actual expenditure was less by 1.3 per cent than originally estimated.
But expenditure on Social Services and transportation exceeded the estimated expenditure by 1.9 and 11 per cent respectively.

1 1 1

D	Q	P	P	Q
Q	Q	+	Q	R
D	Q			
Q	R	R	R	Q
Q	P	R	Q	Q
R	R	Q	Q	R
R	R	R	R	Q
T	R	R	Q	Q
R	Q	Q	Q	R

The primary aim of the first development plan³ was the improvement and expansion of basic services--general administration, preventive medical services, education, housing, public utilities such as water electricity, transport, and communications. Though providing little immediate increase in output per capita, such expenditures are an essential preliminary for future economic expansion.

In 1954, as a result of a Lewis Report⁴ which recommended inter alia that

"Number one priority is therefore a concentrated attack on the system of growing food in the Gold Coast, so as to set in motion an ever increasing productivity. This is the way to provide the market, the capital, and the labour for industrialization.

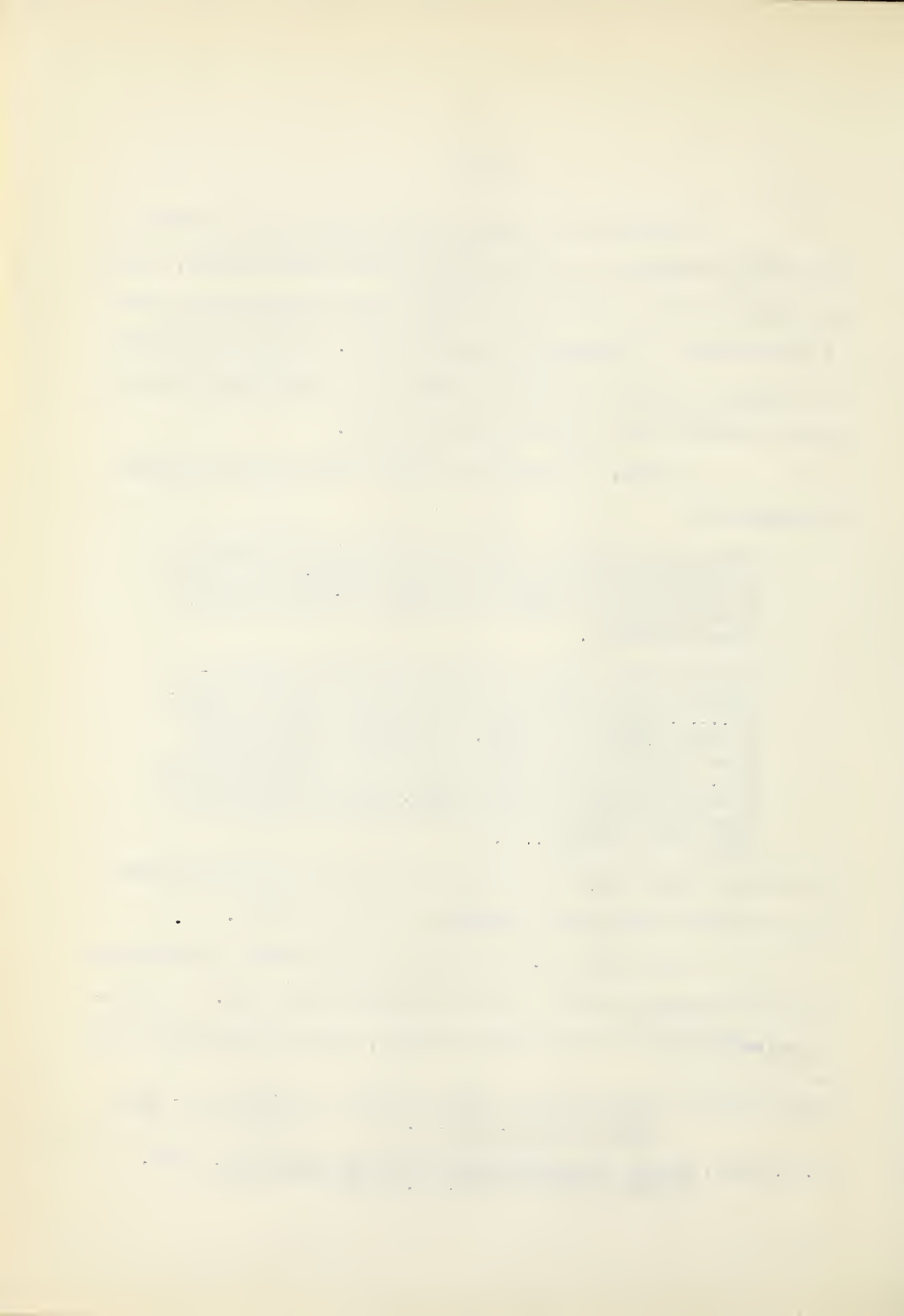
"Priority number two is to improve the public services--transport and communication, cheap power resources, water, etc.....because at present none of these public services is either adequate or cheap. Inadequate public supplies is at present a major obstacle to further industrialization. Improvement of public services will reduce the cost of manufacturing in the Gold Coast, and thus automatically attract new industries without the government having to offer special favours....."

As a result of Lewis Report a greater attention was thenceforward given to other phases of agriculture including the cocoa industry.

As the Table 4.1 portrays, government policy on allocation of resources during the first plan was translated into deeds. The administrative machinery was considerably improved, but the lions share of the

³Great Britain - Foreign Office - Central Office of Information - The Making of Ghana, 1956, p. 22

⁴W. A. Lewis, Report on Industrialization and the Gold Coast, Accra, Government Printer 1953, pp. 22-23



available resources (36.2 per cent) went to the improvement and expansion of transport and communications, as a necessary foundation for economic growth. The other prominent feature of the plan, taken as whole, was the provision for developing education on all levels, and medical services especially in rural areas. About £12 million was spent for the development of the University College of Ghana and the Kumasi College of Technology and nearly £1 million sterling for scholarships to enable Ghanaians to secure higher and professional qualifications. Development of technical institutes,^{and} trade schools was vigourously pursued, not to mention the expansion of primary and secondary schools which became the first priority on the education project.

An attack on endemic diseases especially in rural areas and in Northern Ghana was given serious attention and by the end of the First Plan much improvement was evident.

Only 9.6 per cent of total First Plan expenditure was devoted to agricultural and industrial development, that is, £14.2 million. About £7.6 million of this expenditure was spent on agriculture and other land resources such as the cocoa rehabilitation programme, soil conservation, animal health, fisheries, forestry and other agricultural diversification. Less than £8 million sterling was channelled to the Industrial Development Corporation (I.D.C.)⁵ for developing "approved" industries.

⁵This is a Crown Corporation through which State funds are channelled to build the approved industries. It was established in 1947 as a Loan Board to provide credit to local industrialists. Short of adequate local industrialists, it was authorized by the government in 1951 to build and operate State industries.



All in all, less stress was laid on this sector of development because, prior to ^{the} Lewis Report, the government was more concerned with, and also believed that education, health services and transportation should be given the top priority in the initial stages of Ghana's industrialization.

The first phases of the multiple Volta River Project such as Tema harbour and township, new railway construction from Accra to Tema were dovetailed with the overall development of social investment sector. Whilst the early stages of first dam construction for power was begun with initial capital of £1.7 million, hoping to continue the project during the next Second Plan, which came into operation in July 1959.

The First Plan ended with actual expenditure of £146.6 million sterling, an increase of £0.5 million of the estimated cost. Even though productive investment was second to the social investment during this period, nevertheless, judging from achievements so far made from the First Plan, it is safe to say much spade work has been done, ready for the real task of industrial development which the Second Plan purports to do. The network of transport and communications has been built, schools of all kinds established with enrollment increasing, housing and medical facilities are improving, leaving the mentality of some Ghanaians to be properly reconditioned to changing social and economic conditions. The popular clamour for economic development should henceforth be backed up with more imagination, initiative, sacrifice and



ability to take over government pioneered industries as they become established during the second phase of development, so as a greater proportion of capital formation will eventually come from the local private sector.

Prior to formulation of the Second Plan, the government in 1954 made a policy statement on capital investment that

"The Gold Coast has reserve funds which could be made available for investment in large scale enterprise, and the Government will be willing, where it is approached, to participate in enterprises which can be shown to be economically sound. The Government invites both local and foreign private enterprise for either partnership or to give such an enterprise some subsidy for industrial development."⁶

This invitation received little response and so the government decided to establish publicly owned industries. The Government of Ghana was fortunate to have the expert advice of Professor Lewis during the preparation of the Second Development Plan (1959).

From Table 4.1, about 29 per cent of total funds has been allocated to Volta River Project to build hydro electricity capacity (the important phase of this project). Medical services, education, and housing continue to be second on the priority list. During the Second Plan period, it is expected to make both primary and secondary education free and compulsory, whilst mass education campaign will be intensified to reach the most remote areas of Ghana. But transport and communications have dropped from first position held during the First Plan to third position on the current Plan. This is due to the fact that the necessary and essential network of transportation has been built. All that remains

⁶Ghana - Prime Minister's Office - Statement on Capital Investment by the Prime Minister, 1954, p. 2



is the northern railway from Kumasi (Ashanti Region) to Tamale (Northern Ghana) so as to complete the national railway system. This section of construction has been started and hoped to be finished in a year's time. Meantime the northern section is served with motor roads and airways.

Neither diversified agricultural development, nor establishment of small scale industries is yet aggressively pursued. They are fourth on the list of priorities, only a step ahead from their previous position (of course, cocoa industry is still receiving much attention of the government because of cocoa's preponderant position in the present economy). The new industries, such as sawmills, brick tiles and cement, which are scheduled to be built, would be using local raw materials and producing goods to meet domestic demands. The possibility of producing on a large scale depends upon the growth of the local market as well as future outside markets.

The Second Plan has been presented to and approved by the Ghana Parliament, and the Plan is now being implemented. It is an integrated one, the component parts complement and support each other. The allocation of resources between investment possibilities has been determined to a greater extent by a mixture of economic and socio-political criteria. There has not been any (interest) bargaining of some section of the community during the course of its formulation. Only the pace of advance for period ahead is affected by financial resources, the extent of available managerial ability, administrative outlook and skilled and trained personnel in Ghana.



This writer would very much like to see the role of the State in economic development limited to the traditional activities-- maintaining law and order, and also widening the range of alternatives open to people as consumers and as producers. An economic system in which decision making is largely diffused and thus co-ordinated by the market mechanism would safeguard the individual in society, as well as in his capacity as an economic agent.

But as already pointed out knowing the social, economic and political conditions which have prompted State intervention in the economy, we hesitate to criticize its economic policy, except how the funds are expended in some respects. The completion of this Second Plan depends particularly upon government revenue sources, which in turn hinge mostly on cocoa revenue. So far, about 60 per cent of the estimated total expenditure of £343.4 sterling has been made available for the implementation of the current Plan.

Whilst the cost of industrial development is increasing so also is the current expenditure,⁷ from £3.4 million in 1938/39 to £43.5 million sterling in 1958/59. Whatever happens to cocoa in the immediate future will determine the extent to which the Plan especially is completed. All the same, perhaps we may get a clear picture as to how available resources were spent and have been allocated in the First and Second Developments respectively as we follow the government expenditure in these phases and discuss some aspects of the schemes in the next two chapters, dealing first with what is referred to as social investment and then with "productive or economic investment".

⁷See Chapter 6, Table 6.4



CHAPTER V

EXPENDITURE FOR SOCIAL INVESTMENT

The economic importance of social capital in development programmes is widely recognized. Social services provide the prerequisites for economic expansion, especially skilled labour and cheap transportation. Thus the Jamaica plan was based largely on the Report of the International Bank of Reconstruction and Development (I.B.R.D.) mission to Jamaica. The mission reported thus on this topic:

"We have included the basic services, particularly education, public health, housing and transport and communication in the scope of the Development Programme. We recognized that development of the social services is essential to the improvement of productive efficiency."¹

Ghana was not fortunate enough to receive a similar mission before its First Development Plan was drawn. None the less, the government recognized the importance of the social sector in the course of the country's development, and thus about 65 per cent of total development expenditure was devoted to this sector--especially (a) general administration, (b) health education, housing, and (c) transport and communications.

Anything short of efficient general administration will frustrate the national economic objectives, as such Ghana Government has pursued a policy of Africanization, that is increasing the number of Ghanaians in the upper grades of public services by both local and overseas training of Ghanaian personnel.

¹United Nations - Report of the I.B.R.D. Mission to Jamaica 1952, p. 115



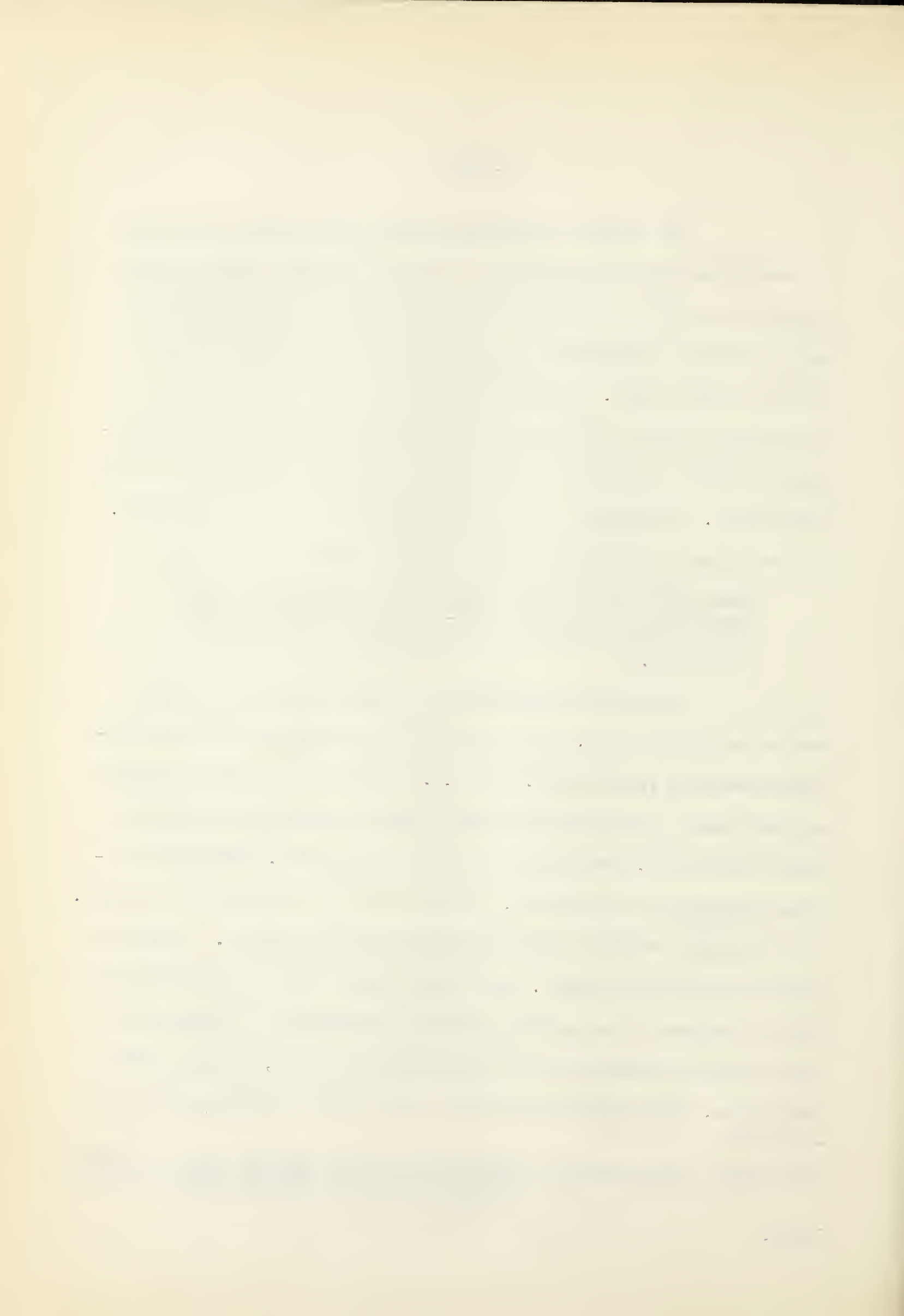
The number of Africans holding posts formerly classified as "senior" and held by Europeans in a variety of Civil Service departments rose from 171 in 1949 to 916 in 1954, but as the total number of posts increased, the percentage of Africans rose only from 10 to 36² within the same period. This is due to the fact that there were not many suitable African candidates at that time, and, even now, the accelerated training programme which the government is pursuing has not fully materialized. Investment in human resources takes time to be fruitful. This matter was recognized in a White Paper in 1954:

"There would still be an urgent need for experienced overseas officers in a fully self-governing Ghana, and that Africanization would not be accelerated at the expense of efficiency."³

Development expenditure for administrative and general services amounted to £15.3 million while within the same period the current expenditure rose from £0.9 to £6.0. If we were to add all current and development expenditures for administration services together, the total would be £21.3 million for the First Plan period. Except for personnel training and recruitment, the goals set for the Plan were achieved. All the capital works were completed before the Plan period. Only Africanization still lags behind. Even though there are now more Africans in senior positions in the service, European officials still dominate the high technical positions in such Ministries as Finance, and Development Commissions. More remains to be done in the field of Africanization so

²Gold Coast, Prime Minister, A Statement on the Programme of the Africanization of the Public Service, 1954

³Ibid.



as to reduce the cost of overseas recruitment.

In the next five years (1959-64) the government is expected to spend four per cent of the Second Plan funds to further Africanization and for the overall administrative services. Such an expenditure is indispensable, but it is hard to see any justification for the sum of £2.0 million allocated for more overseas missions, in the U.S.S.R. for example, except for political reasons.

Dr. Nkrumah said,

"With the coming of Independence in 1957, it was necessary to organize a Foreign Service and it has been found during the last two years that the impact of Ghana's Independence has been such that it has been necessary to assume considerable responsibilities both as regards representation abroad and dealings with external matters at home. A new recruitment drive is being carried out to provide staff for the Foreign Service and a comprehensive programme has been drawn up to provide accommodation abroad for the country's diplomatic representatives.....The present state of political development in Africa demands that Ghana should perform her external duties adequately."⁴

To meet this expenditure the Parliament of Ghana has approved estimates of £2.0 million, i. e. 17 per cent of funds allocated to administrative services. In relation to other urgent and more productive projects such as agricultural diversification and industrial development in Ghana, this overseas allocation is high and economically wasteful. There is no point in establishing embassies in countries like the U.S.S.R. or China which buy less than one per cent of Ghana's primary produce. Perhaps they are likely to be future markets, none the less, a trade mission to these countries will serve the same purpose. Or, instead

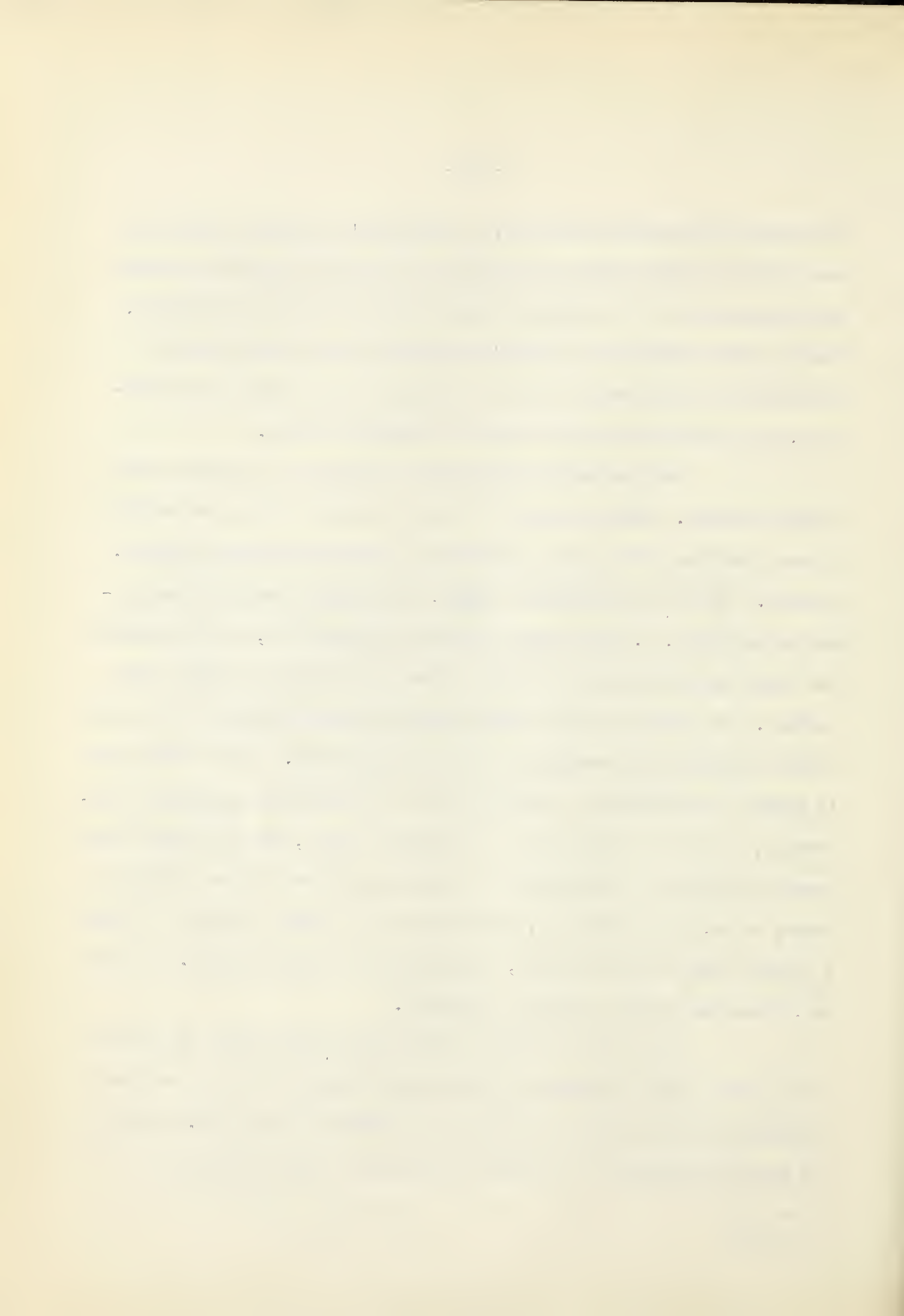
⁴Ghana, Ministry of External Affairs - Ghana Today - Building a Nation, April 1959, p. 9



of opening more overseas missions, a "gentleman's agreement" should be made with the United Kingdom Government to look after Ghana's interests with reasonable cost in countries where Britain already has embassies. Thus a larger proportion of Ghana's expenditure on missions could be channelled to Volta Project which is considered more urgent and productive, and is being held back because of inadequate funds.

The government defends this expenditure on grounds of national prestige. "The only way for Ghana to project African personality in world affairs is to build up embassies in other countries", says Dr. Nkrumah.⁵ It is not altogether correct, for Ethiopia has been independent since 2500 B. C. with foreign missions; Liberia also, as an independent State has had extensive missions since its creation in early twenty century. Yet neither of these States have had any influence on the world affairs because their economy is rural and precarious. It is doubtful as to whether establishment of embassies per se accomplishes anything at all. Perhaps, if Ghana is interested in "achieved status", she could exert much greater influence by developing its precarious economy to the industrial stage, so as, in the long run, she would be in a better position to render a helping hand to other nations, particularly to African states. In this way, Ghana may achieve "national prestige".

More than £6 million sterling was spent during the period of the First Plan in providing buildings and facilities for the services concerned with law, order and defence; an additional sum of £7.7 million has been appropriated for personnel training and other improvements of



this sector during the Second Plan 1959-64.

In the last Plan over £2 million was provided for police; mainly for the capital works such as building of police stations and police quarters, regional training centre, and a transport fleet with extension of wireless communications.

Another 25.0 millions sterling has been appropriated for training and other improvements of police during the Second Plan (1959-64). In opening a new Police Training College in Accra, the Prime Minister, Dr. Kwame Nkrumah, said:

"The Police Force is still largely organized on a colonial basis and is a relic from the time when its principal task was the maintenance of public order. It is the intention of the government that the force shall be reorganized to provide police facilities to the public on the lines adopted by the majority of democratic countries, that is, to give protection to all our citizens."⁶

For the prison services, the First Plan included a new Central Prison for the Eastern Region, a Borstal Institution and provision for industrial training and prison farms which in all cost the country £1.1 million. During the Second Plan it is expected to spend another £1.5 million for modernization of prisons and for construction of more training centres for prison rehabilitation programme.

Ghana spent about £2.3 million sterling on defence during the last Plan, and expected to spend another £1.2 million between July 1959 and 1964, i. e. about 23 per cent of the total expenditure for defence, law and order for both periods, but less than one per cent of the

⁶Ghana - Ministry of Justice - Ghana Today, April 1959, p. 9



overall development expenditure.

Ghana is now improving the standard of her present conventional land forces at a minimum cost with no immediate intention of building an air force or navy. There is some tendency of under developed countries to join the arms race for prestige. If Ghana decided to follow suit it would be a tragedy considering the resources which will have to be diverted from productive investment to this uneconomic and wasteful field of armament production. Perhaps future world disarmament agreement may forestall any conditions which may compel Ghana to allocate more resources to defence.

A common characteristic of the Development Plans has been the emphasis placed on schemes designed to promote the welfare of Ghanaians. Social development is, at all events, interpreted in a very broad sense and includes a substantial expenditure on social services, particularly on education and public health. In 1951, 30.2 per cent of the expenditure in the First Development Plan was allocated to, and spent on, social development; again, during the current development plan, 30 per cent of the total spending is for social development. At the moment these services do not involve any transfer payments; they are services calculated to benefit Ghanaians collectively. Many of the social services now undertaken by governments of more industrialized countries are at present done by the individual Ghanaian family: the aged are still in the family's fold, and the unemployed fall back upon their African family for assistance.



Until recently, most Ghanaians were diseased, very poor, and lived under unsanitary conditions, especially in the rural areas and villages. The diseases which afflict Africans include most of those conventionally regarded as tropical, such as cerebrospinal meningitis, which sometimes sweeps through the country in epidemic proportions; yaws and tropical ulcer are widespread, and diseases of the respiratory tract and of the bowel are common. Loss of sight, partial or complete, is very common. Physical disorders and infections dominate the scene, and the extent and character of the mental disturbances from which some of the people undoubtedly suffer have as yet been studied only superficially. Infant mortality is high, and child mortality remains comparatively high, after the period of infancy. It was estimated that three-fifths of all those born, especially in rural areas and villages, died before reaching the age of ten years.⁷ Since the expectation of life is much shorter than in western countries, the general pattern of diseases is associated with the earlier stages of life.

Malnutrition is another enemy. There is a gross deficiency of certain essential food constituents, notably protein and vitamins. Protein deficiency is most commonly found in young children, particularly after weaning, when a starchy diet is substituted for breast milk. Protein deficiency is also accentuated by the various parasitic diseases, in which the parasite not only consumes the host's supplies of protein but, in most cases, also stimulates the formation of protective anti-

⁷Gold Coast - Medical Department - Annual Report 1950, p. 10



bodies which are themselves protein. The diseases from which most Ghanai-ans suffer are either insect-borne or are due to faulty environmental sanitation and malnutrition.

Sickness and malnutrition yield low labour productivity. Low paid as the African labourer may often be, an ailing employee is expensive and ineffective. Until recently, little was done to cope with Ghana's health problem, which, along with other West African territories, had a reputation of being the "white man's grave". However, during recent years much has been done to dispel this reputation and to ensure good health during normal periods of residence.

The need to improve standards of health for the whole country was recognized immediately Africans took over part of the administration in 1951. Government health policy has been the development of curative and preventive measures. As such, emphasis has been placed on the building of hospitals and on the training of medical personnel. In all, its work has had the co-operation of missions, which run some of the new hospitals, with assistance of funds provided by the Government; of the Ghana Red Cross Society which undertakes instruction in first aid, hygiene and child welfare; and of local authorities and of the people themselves who have now organized community projects for the building of hospitals, clinics and dispensaries.

Whilst government current expenditure on medical services rose from under £0.3 million in 1935/36 to £3.0 million in 1958/59, the Development Plan cost was £12.5 million (£0.2 million less than estimated budget).



CAPITAL EXPENDITURE ON HEALTH SERVICES
(1951 - June 1959)

Table 5.1

£ million

FIRST DEVELOPMENT PLAN		
Nature of Project	Estimated Total Project	Actual Total Expenditure
Kumasi Central Hospital	2.7	3.0
Accra Central Hospital	0.4	0.3
Cape Coast Central Hospital	1.8	2.0
Sekondi/Takoradi Hospital	0.7	0.8
Tema Hospital	1.5	1.0
Ankaful Hospital	0.8	0.4
Hospital Extensions	0.7	0.8
Other Hospitals	0.2	0.2
Leprosaria	0.1	0.1
Medical Field Units and Health Centres	0.9	1.0
Nurses' Accommodation and Training Colleges	1.0	1.8
Health Campaigns	0.9	0.9
Others	0.8	.2
Total	12.7	12.5

Source: Economic Survey of Ghana, 1958.
Ministry of Health, Annual Report 1959

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Except personnel training and recruitment, extensions of Accra Central Hospital, and health campaigns, all other planned capital works were completed within the Plan Period. Within this period the health conditions of ^{an} average Ghanaian has improved. He is able to obtain and is fully making use of the available medical and health services (within his community and within the whole country) at a minimum cost or no cost at all. Except the private hospitals, all the hospitals are run and financed by the government.

In spite of considerable progress made in the last eight years, much remains to be done to bring the general health conditions in Ghana to the same standard of most industrial countries. And so the struggle against disease continues.

Public health services form a vital part of any development plan in tropical Africa. Endemic diseases sap energy and initiative, they do not kill, but lower the productivity in the economy of the country. At the moment, the scope for expansion of these services in Ghana is unlimited and a persistent effort is necessary to eradicate such widespread diseases. The most urgent need is to increase the number of doctors, nurses, midwives, public health nurses and general staff, along with campaigns against the most serious diseases--malaria, yaws and small pox. An extension and improvement of maternity and child health programmes, and construction of additional institutions to provide the country with a comprehensive Health Service are being undertaken during the period of the Second Plan.



Although the training of nurses and midwives at government expense has expanded considerably since 1950, there are today less than 1,000 serving nurses, of whom 201 are nurse-midwives. There will be a general expansion of nurses' training during the Second Plan. It is estimated that by the end of 1964 the number of nurses graduating will be 370 as compared with 268 at present.⁸ The annual number of trained midwives may rise to 250 as against 90 at the present time.⁹ A nursing school of Hygiene which will provide for an expansion in the training of Health Inspectors will be built in Accra. Over £200,000 has been allocated to health education and the campaign against endemic diseases.

In order to consolidate the gains achieved by mobile treatment teams in campaigns against endemic diseases and to prevent the revival of such diseases, it is intended to extend the development of static treatment facilities. These facilities in the main will be provided at health centres and in hospital out-patient departments. There are eleven health centres in the country; an additional forty will be built in cocoa-producing areas and these are scheduled to be completed during the next two years. In addition provision has been made for a further twenty centres to be built in non-cocoa producing areas. The health centre is a very valuable institution and will play an increasingly important part within the framework of the Health service. At health centres both preventive and curative services are provided; from these centres maternity and child health services function and health education

⁸Ghana - Ministry of Health, Annual Report 1959, p. 25

⁹Ibid. .

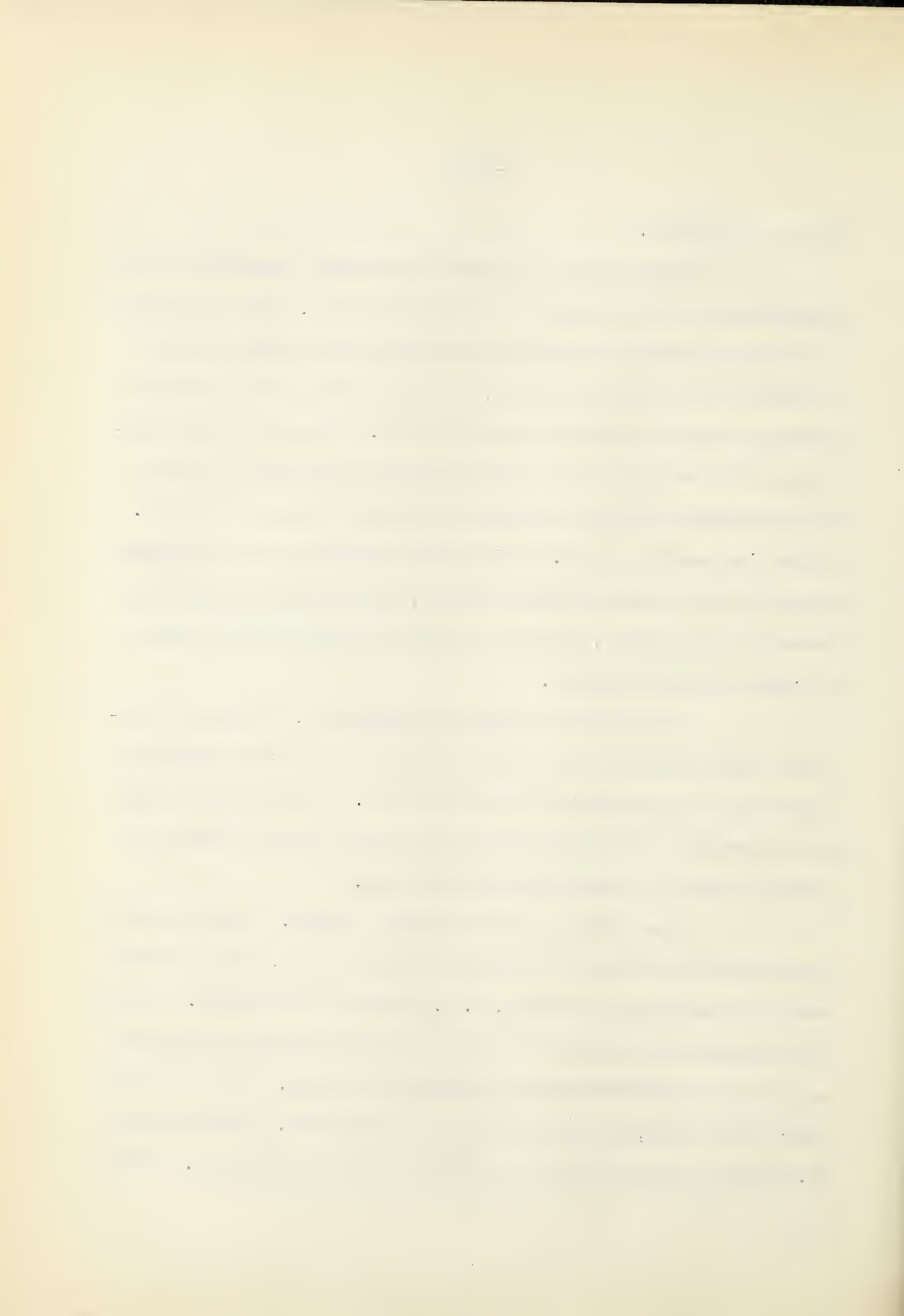


work is carried out.

By far the most important development planned during the Second Plan is the establishment of a Medical School. The establishment of a Medical Faculty at the University College will require adequate facilities for a teaching hospital, and, since 1955, work has been proceeding at Korle Bu Hospital towards this end. Also, one of the objectives of the Second Plan is to provide Regional Hospitals for each of the regions and sufficient district hospitals throughout the country. Allocations amounting to £1.1 million have been made for a new Regional Hospital to be at Tamale (Northern Ghana), other district hospitals at Walewale (Volta Region), Mampong and Wiawaso (Ashanti Region), Nsawam and Tarkwa (Southern Region).

To tackle the problem of malnutrition, a National Nutritional Board whose duty is to advise the government on the framework of a national policy on nutrition has been set up. It is hoped that with the co-operation of the Social Welfare Department the rural wives and young girls will be taught household economics.

Pure drinking water is another problem. Most of the rural areas drink water either from streams, rivers or ponds, and this causes most of the water-borne diseases, e. g. blindness or bilaharis. As part of the programme to eradicate such diseases the government has decided to provide pure drinking water throughout the country. The cost will be high; all the same, the social cost is well justified. A total sum of £7.7 million has been allocated for water supplies of which £4.5 million

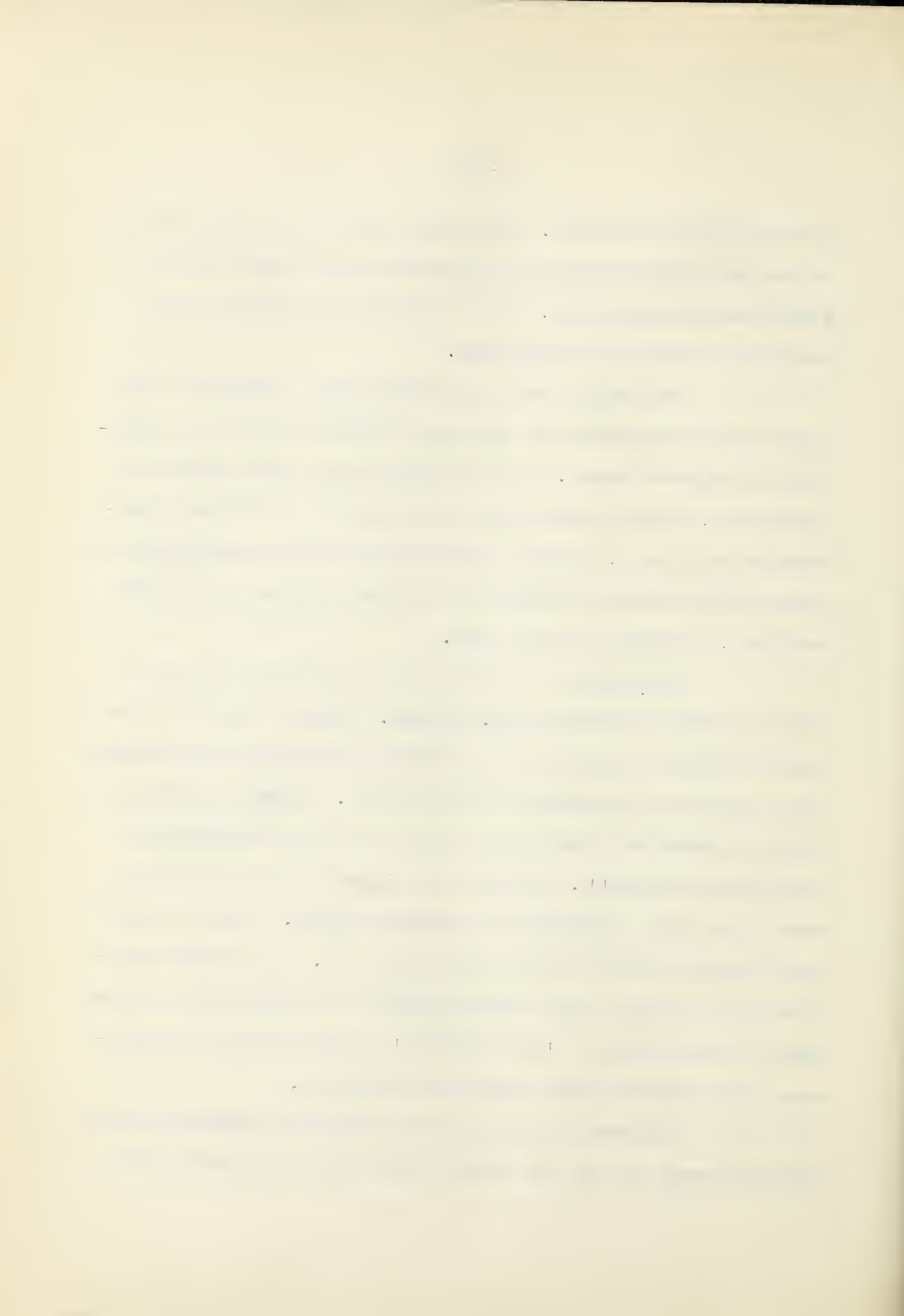


is earmarked for rural areas. Piped water supplies are proposed for all regions and a borehole drilling programme has been prepared for rural areas throughout the country. The work is being undertaken by the Department of Rural Water Development.

Malnutrition and chronic debilitating diseases are probably the main reasons why most Africans are branded with lack of imagination and unproductiveness. Since malnutrition and disease cause low productivity, and low productivity in turn maintains conditions of malnutrition and disease, government expenditure on health services is well spent and more should be allocated to accelerate improvement of health conditions, especially in rural areas.

Expenditure on education under the First Plan was £17 million against the estimated £16.0 million. Education was first conceived in Ghana as a function of the Christian missionaries, and received little attention by the colonial administration. By 1951 only five per cent of a population of nearly five million had received rudimentary education--the three R's. Illiteracy and ignorance are considered as some of the factors detrimental to economic progress. Thus the government decided in 1951 to provide education for all. The two main objectives are to provide a basic primary education for every child of school age and to accelerate the 'Africanization' of public life by the provision of secondary and higher educational facilities.

In practically every town and village a primary school has now been opened; the law only requires registration as a condition of



opening a school, but schools may be closed if they are dangerous to the physical and moral well being of the pupils. Out of total capital expenditure of £40 million spent over last eight years, three quarters was devoted to primary and secondary schools, technical institutes and teacher training, the last being recognized as the key to the whole problem of expanding the education system.

EDUCATION DEVELOPMENT
(June 1951 - June 1959)

Table 5.2

	Plan Expen- diture £mil- lion	No. of Stu- dents enrol- led Decem- ber 1950	No. of Tea- chers Decem- ber 1950	No. of Stu- dents to be accom- modated by Plan Period	Actual Expen- diture £mil- lion	No of Stu- dents enrol- led 30th June 1959	No. of Tea- chers 30th June 1959
Primary Schools	1.4	266,850	8,840	490,000	2.5	590,366	18,192
Secondary Schools	2.0	2,776	450	5,620	2.5	15,433	638
Teacher Training Schools	2.3	1,776	220	3,500	2.5	4,055	327
Trade and Technical Schools	0.8	266		1,320	0.7	2,826	127
Kumasi College of Technology	4.0	-	-	1,280	5.5	536	95
University College	5.0	211	70	700	6.8	424	114
Scholarships (Overseas)	1.9	489	--	--	2.0	1,300	--
Grants to Public Libraries	0.3	-	-	-	0.2	-	-
Northern Region School	0.8	5,100	-	-	0.9	-	-

Source: Ministry of Education - Annual Reports, 1957, 1958

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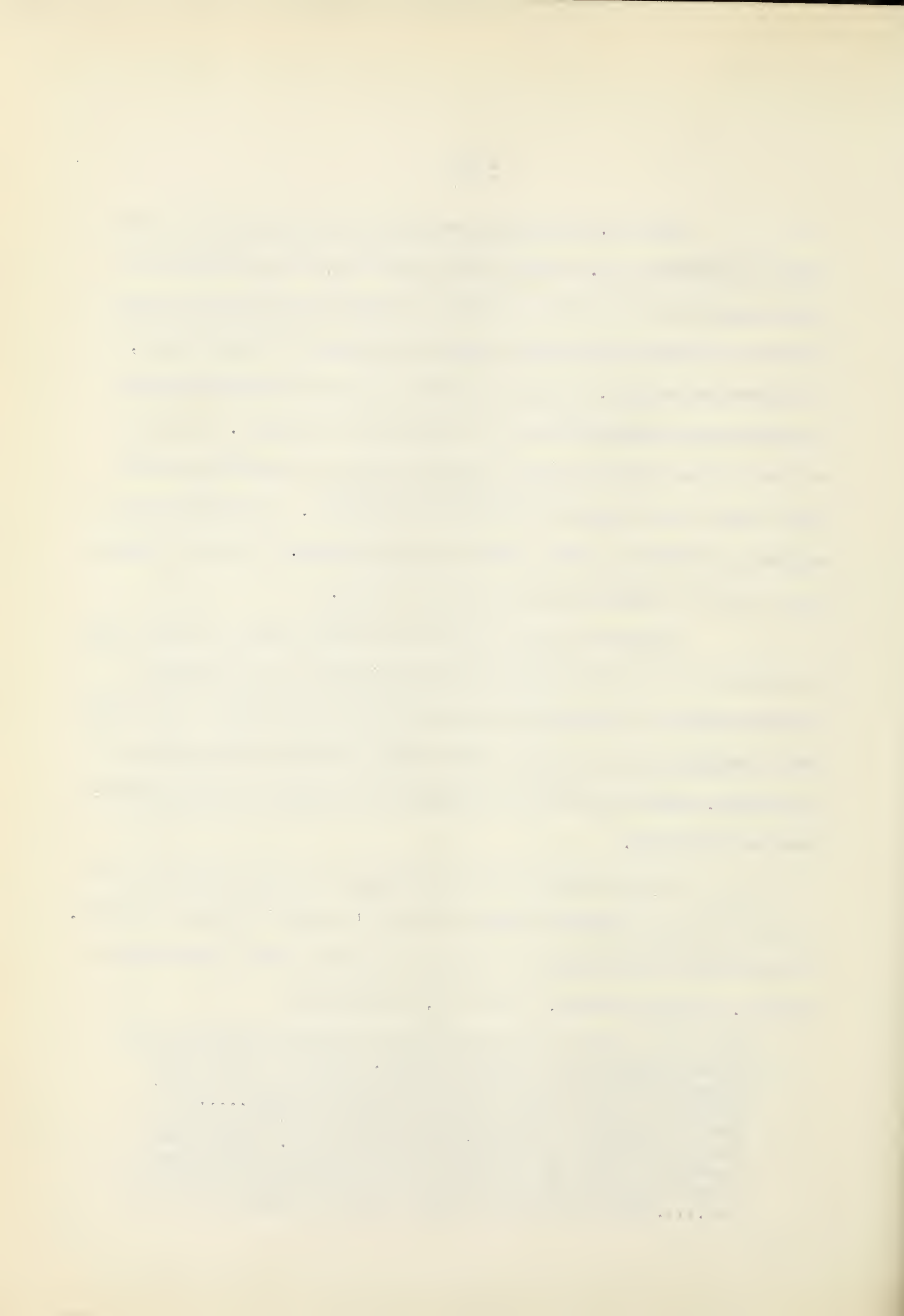
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Table 5.2 indicates that progress is being made in the field of education also. Taking 1950 as the base, the percentage of people receiving all levels of education in Ghana had increased by 120 per cent by 1959; in some cases, such as secondary and trade schools, the number has tripled. Except in primary schools, the Africanization of educational institutions has not progressed as expected. About 60 per cent of the teaching staff in Kumasi College of Technology, about 40 per cent in the University College are Europeans. Approximately 25 per cent of secondary school staff are also Europeans. This is a reflection of lack of African personnel in most fields.

Apart from this lag, all the planned capital projects such as provision of new school buildings and facilities in the secondary teachers training colleges as well as the University College and improvement of existing school premises were completed with an expenditure of £17 million, about six per cent more than the estimated initial expenditure for First Plan.

In the Second Plan the emphasis is on trade schools so as to provide more skilled workmen for Ghana's gradual industrial growth. It was learned that shortage of technical Ghanaians would slow economic progress. Professor Lewis, inter alia, recommended:

"To train up African enterprise must naturally be one of the major objectives of economic policy. The role of the foreigner is that of the tutor: from dependence on whom one wishes to escape at the earliest possible moment.....the test of maturity is that the country can proceed on its own without needing any significant foreign help. That is why foreign business men should not be allowed in the country unless they play their part in training Africans to do their job.....Unless the African people learn to start and to run



things for themselves, progress must be slow.....or arrange for suitably qualified Africans to be employed temporarily in industrial undertakings in other countries."¹⁰

Except in Great Britain, this requisite technical training for Ghanaians in other industrial countries has not been successful due to poor racial relations towards "coloured" people which make it difficult to find firms or even government departments willing to accept coloured trainees. Once again, circumstances have compelled the Ghana government to provide necessary facilities (however limited or expensive they may be) at home and to employ broadminded foreign teaching personnel to train the Africans. Following this, new trade and technical institutes have been opened in various centres in Ghana. The most outstanding one is Kumasi College of Technology with civil, mechanical, engineering departments, and factory trades.

The great need for more technicians is likely to be more emphasized in future plans at the expense of liberal education, as shown by this policy statement of the Prime Minister:

"Education remains a paramount importance to us. We must generate a new dynamic force behind our educational policy and ensure that it is geared to our future economic and industrial development. I look forward to the establishment of a fully fledged University in Ghana, not later, I hope, than 1961 which among other things would enable us to pursue with confidence post-graduate work in science and technology."¹¹

In accordance with national policy, a budgetary estimate of £27.8 million has been approved for personnel training, and capital works

¹⁰W. A. Lewis, op. cit., pp. 22, 24

¹¹Ghana - Ministry of External Affairs - Building a Nation, 1959, p. 6



during the life of the Second Plan.

EDUCATION DEVELOPMENT PLAN
(1959 - 1964)

Table 5.3	£ (million)
Primary Education	3.0
Secondary Education	
Expansion of 15 existing Secondary Schools)	
Re-housing of two existing Secondary Schools)	
8 new three-stream Secondary Schools)	5.1
26 new two-stream Secondary Schools)	
Other Post-secondary)	
Technical Training	
Expansion of secondary technical schools	4.0
Kumasi College of Technology	5.7
Teacher Training Colleges for Primary and Secondary Schools	2.6
University Education and extra-mural	6.0
Scholarships for overseas training	<u>1.4</u>
Total	<u>£27.8</u>

In view of urgent need for trained men of all levels in the country, this expenditure is quite justified. We have already pointed out the contribution of education generally to a nation, and particularly to its economic growth. We would make one further observation of this education policy. It is welcome that, at last elementary education has now been made free and compulsory for all, and that secondary, technical and university education is being made accessible to all Ghanaians with



the requisite abilities. None the less, there is an inherent danger of this 'creeping' overcentralization and over-emphasis on technical education. Would this centralization lead to loss of developing initiative, incentive and advancement of knowledge and personality development? Would Ghana's overeagerness for rapid industrialization which is prompting them to stress henceforward more than necessary the technical training eventually make most Ghanaians "human" automatons? These are some of the questions that need be considered, but, since the theme of this thesis is not within this province, we shall leave them unanswered. Perhaps these inherent dangers could be averted with less social cost as more Ghanaians become trained, educated, and 'conscious' and take over responsible positions in all phases of the economy.

Housing too is another government provision which to some extent is equally stressed as part of the whole social services. Any measure dealing with the health problem which excludes good and adequate housing will be inadequate. Fortunately, since 1951 the government has recognized the need for better housing as another means of eliminating endemic disease. This need has become more imperative as a result of urbanization. The cost of meeting top priority housing needs over the next five years for instance, would be about £25 million of which £17 million has been appropriated. It is hoped that affluent Ghanaians will increase private construction to fill the gap. In addition to that, the government has decided to help other middle and lower income groups build their own homes through a governmental loan scheme, financial assistance

The first part of the paper discusses the importance of the study and the objectives of the research. It also outlines the methodology used in the study and the results obtained. The second part of the paper discusses the implications of the study and the conclusions drawn from the research. It also outlines the limitations of the study and the areas for further research.

The study was conducted in a laboratory setting and involved the use of a series of tests to measure the performance of the system. The results of the tests were compared to the theoretical predictions and the conclusions drawn from the research. The study found that the system performed well under the conditions tested and that the theoretical predictions were generally accurate.

The implications of the study are that the system can be used in a variety of applications and that the theoretical predictions can be used to guide the design of the system. The conclusions drawn from the research are that the system is a viable option for the application and that the theoretical predictions are a useful tool for the design of the system.

The limitations of the study are that the results were obtained from a laboratory setting and that the conditions tested may not be representative of the real world. The areas for further research are the performance of the system in the real world and the development of a more comprehensive model of the system.

to the First Ghana Building Society and preparation of sites.

For the past eight years (1951-59) Ghana has expended £35.8 million to provide for its people collective social services. It is expected to spend another £88.6 million (an increase of about 52 per cent during the period of the Second Development Plan (July 1959-1964). Further spending in this field can be expected as Ghana becomes more industrialized and urbanized.

Transport and communications was singled out as an essential and important springboard for future economic development. All told, 36.0 per cent of the First Plan funds was spent on this project.

In some countries, road construction especially, is often completely financed from gasoline tax, but, if Ghana were to rely solely on this tax for expansion of transport and communications, very little could be achieved. During 1951 only one out of 1,000 people owned an automobile. Only the State is in a position to provide such services, and they might well be extended, with great advantage to the community.

Until 1951 Ghana was poorly provided with transport and communications. Even the few roads and railways built during the colonial administration reveal a lack of any comprehensive planning. For the transportation sector of the First Plan, priority was given to road development (Table 5.4). An overall trunk road network was drawn up to cost an estimated £20.2 million; but an amount of £20.5 million (an increase of £0.3 million) was actually spent on building the new trunk roads, feeder roads and bridges and reconstructing existing roads. By June 1959



TRANSPORT AND COMMUNICATIONS EXPENDITURE

Table 5.4

FIRST DEVELOPMENT PLAN
(1951 - June 1959)

Kind of Service	Estimated Expenditure £ million	Actual Expenditure £ million
Roads		
New Road construction, including Bridges	12.4	13.5
Road improvements	4.4	4.6
Others, including surveys and mechanical Road constructions	3.4	2.4
Railways	12.8	14.2
Harbours	13.0	13.8
Mercantile Marine	0.3	0.3
Civil Aviation	0.5	1.6
Posts and Telecommunications	2.7	2.7
Total	49.5	53.1

Source: Ghana Economic Survey, 1958
Government Statistician's Quarterly Digest,
September 1959

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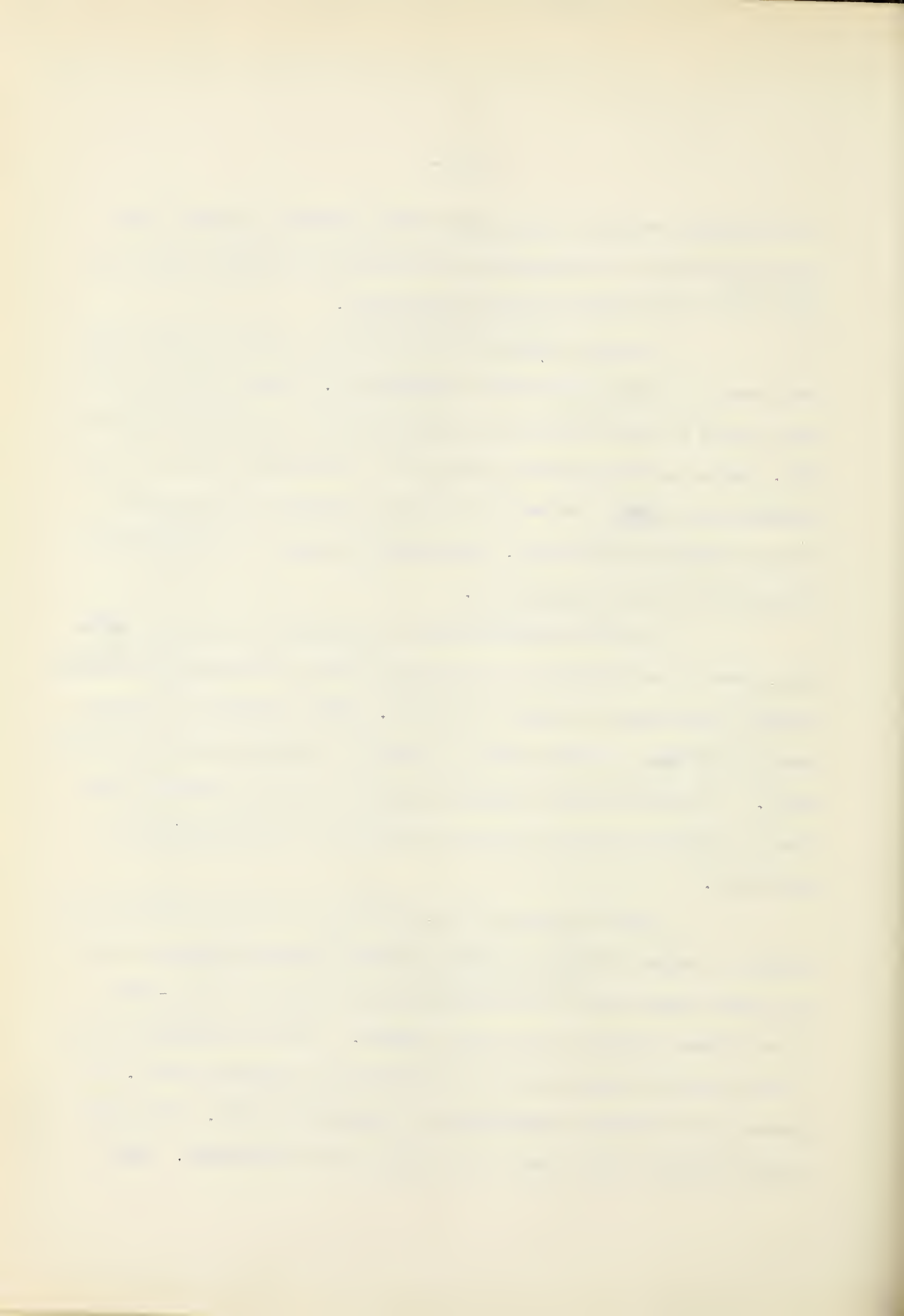
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a considerable portion of the planned network had been completed, less than 20 per cent to be incorporated in the Second Development Plan, for which another £15 million has been appropriated.

As second priority in transportation, over £14 million had been spent on railways construction excluding £2.3 spent on the new Accra-Tema railway as part of Volta River Project, at the completion of the First Plan. Again, in the next five years further concentration will be on improvement and expansion of railway services in Northern Ghana, and increased operational efficiency, consequently an amount of £10 million is earmarked for this railway project.

As much as transportation is essential for economic expansion, there is some doubt as to the economic value of the proposed Northern railway (from Kumasi to Tamale--300 miles). Such a network will have no immediate economic function except for opening up remote places in Northern Ghana. It would be cheaper instead to improve existing roads since the cost of improvement would be less and eventually be self-sustained by petrol tax.

Toward the end of 1951, following a long and detailed examination of various sites, a decision was made by the Government to build a new harbour which would meet expanding external trade for ocean-going ships at Tema, seventeen miles east of Accra. Work was immediately begun in 1951, and the initial landing facilities were completed in 1954. The greater part of harbour construction was completed in 1958. The harbour itself encloses a water area of 490 acres and has four berths. These



works constituted only the first stage in the development of the harbour as part of the Volta Project which can be subsequently extended, as the need arises, to accommodate up to twenty ocean-going vessels. Upon completion there will be provision for oil tankers, while a separate fishing harbour will be provided to the east of the lee breakwater. Other extensive works, including roads, water supplies, further railways, and a complete new township are to be built in varying stages of the construction. In June 1959, at the completion of the first phase of this particular project, an estimated amount of £16.5 million had already been expended. During the Second Development Plan, an additional £2.5 million has been allocated for further expansion of the harbour. Should it be considered necessary, an additional £6 million has been set aside for other possible development works in connection with the Volta River project.

Also, a vote of £0.2 million has been made available for a new berth at Takoradi to serve the Clinker Cement Plant which is to be erected there. To meet the future essential works of the new Harbour Administration (a merger of the Government Transport, Railway, and Harbour Departments for effective co-ordination and management) £0.4 million has been allocated to be spent, if necessary, after the reorganization, and also to provide for workshops and equipment at Tamale and Tema, and expansion of the workshops at Kumasi and Accra.

In 1958 the Government established the Black Star Shipping Line. As the people at present have no knowledge of shipbuilding, and as Ghana itself has not yet acquired its own ships, the Line so far has relied



largely on chartered vessels. Although this policy of relying on chartered vessels will continue, the nucleus of the cargo fleet is being built up and £0.3 million has been appropriated for further investment in the Company and for the purchase of additional ships.

Training of Ghanaians as seamen is a vital part of the development of the Ghana Mercantile Marine, and in June 1959 a Nautical College, with technical assistance from the United Kingdom and Israel was established in temporary premises. A sum of £0.1 million has been allocated to provide permanent buildings for the College which, when completed, will conduct courses for both officers and seamen.

Since the Government established the Ghana Airways Corporation in 1957, public expenditure for this has amounted to £1.6 million. This vote was spent on the purchase of planes, and the expansion and improvement of existing airports at Accra, Kumasi, Takoradi and Tamale. The increasing volume of air traffic and the anticipated introduction of jet aircraft in the near future has made it necessary to expand the modern international airport at Accra during the period of the Second Development Plan (1959-64). An amount of £3 million has been allocated to this project which will provide a completely new runway estimated to serve any type of aircraft likely to use the airport in the foreseeable future. At the same time, other facilities, including a new terminal building, will be provided.

Ghana Airways was established by the Government in co-operation with the British Overseas Airways Corporation. This airline

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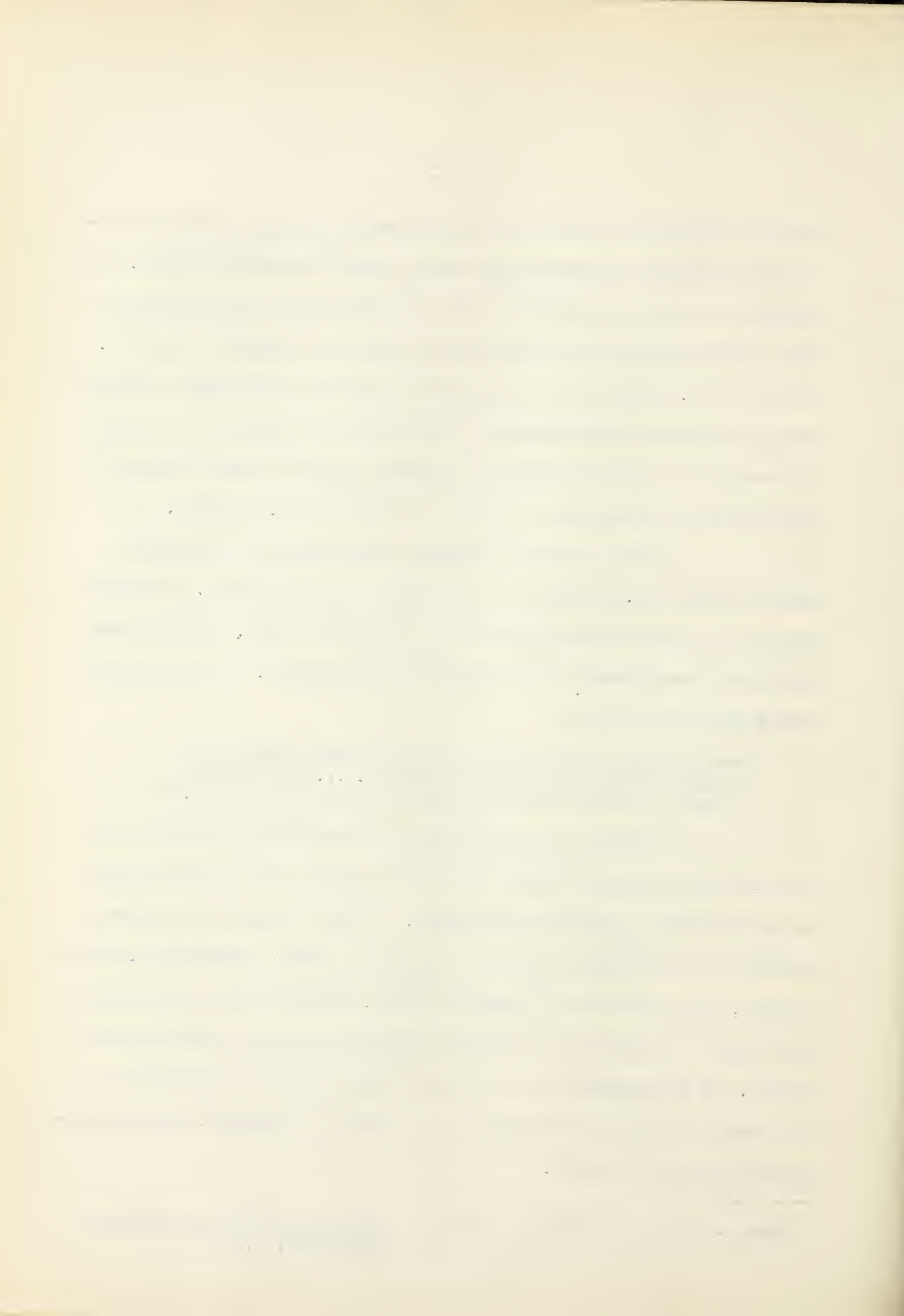
provides internal air services and also schedules between Accra and London, and a service along the West African Coast from Lagos to Dakar. The company is planning an expansion of its services and, for this purpose, will require additional capital for the purchase of aircraft equipment. The sum of £0.3 million has been allocated for this contingency. Furthermore, to facilitate the expansion of internal air services, it is planned to develop new domestic aerodromes at Enchi, Sunyani, Yendi, Navrongo, Wa and Ho estimated to cost the country an additional £1.0 million.

During the next five years (1959-1964) the Government hopes to spend £53.0 million in all phases of communications. An equal amount was spent during implementation of the First Plan. But more emphasis will henceforward be on "productive investment". It is believed enough has been achieved

"the development of roads, railways, harbours and telecommunications during the First Plan.....has provided a base on which economic development can now be built."¹²

Except for the anticipated expenditure for overseas missions, Ghana's available funds are generally well spent on the prerequisites for future industrial development. If local statistics are meaningful the income^{per}/capita has risen from £41 in 1950 to £57 in 1957. This, perhaps, is a reflection of improved health, education and transportation which have invariably helped average Ghanaian to be more productive than before. As he becomes more trained and lives in better surroundings, it is expected that his productivity will continue to increase, thereby raising the income per capita.

¹²Ghana - Ministry of External Affairs - Building a Nation Ghana Today, April 1959, p. 8



CHAPTER VI

DEVELOPMENT EXPENDITURE FOR "PRODUCTIVE INVESTMENT" AND ANNUAL RECURRENT EXPENDITURE

In spite of repeated government declarations favouring rapid economic and industrial development during the life span of the First Plan, much of the available resources were spent on "social investment". In the same vein, 56.1 per cent of the Second Plan's funds is being devoted to social investment. About 12 per cent of the First Plan was devoted to "productive investment" compared with an allocation of 43.9 per cent of the Second Plan. Depending upon future availability of funds, it is likely that more emphasis will be on economic and industrial sector in successive plans.

During the First Plan about £7.6 million was expended on agriculture and other land resources, such as the cocoa rehabilitation programme, soil conservation, livestock, and forestry.

ACTUAL DEVELOPMENT EXPENDITURE ON AGRICULTURE (1951 - 1959)

Table 6.1	<u>£ (million)</u>
Agricultural extension stations	0.9
Cocoa industry and cocoa rehabilitation	2.5
Other agricultural diversification programmes ¹	2.0
Soil conservation and planning	0.5
Soil and land use survey	0.1
Animal health	1.3
Fisheries	0.1
Forestry	<u>0.2</u>
Total	<u>£7.6 million</u>

¹ Programmes undertaken by Agricultural Development Corporation, a crown body established in 1947.



One of the objectives of the First Development Plan, in accordance with Professor Lewis' recommendation was to diversify agriculture, control swollen shoot, rehabilitate cocoa, and improve farming practices where possible by setting up a chain of agricultural stations throughout the country for extension work and for demonstrating better methods of husbandry.² About £7.3 million was therefore expended on these projects. At least two-thirds of the working population of Ghana live by agriculture; they contribute 65 per cent of national income and of foreign earnings which, of course, depend upon export crops, especially cocoa. Nonetheless, the agricultural industry is still rudimentary and production of food for home consumption is still insufficient. Nothing is more important than that agriculture should become a highly efficient and productive occupation but most of the non-cocoa farmers are technically and socially handicapped. Considering the poverty, the dangers of soil erosion due to torrential rain, the prevalent diseases of man, animal and plant, the traditional system of bush fallow, lack of knowledge concerning non-cocoa farming techniques, and the complex question of land tenure, it is no wonder that Ghana's agriculture is still undeveloped.

With the establishment of the Agricultural Development Corporation, mechanized and specialized farming was encouraged--livestock industry in Northern Ghana, tobacco and banana plantations in Southwestern Ghana. An examination of Ghana's agriculture indicates some improvement in certain sections of the country. All the same, much remains to be done

²See Chapter 4.



to catch up with the increasing demand for protective food. This prompted the Minister of Labour and Co-operatives, Mr. Ako Adjei, to appeal to young Ghanaians to turn to the land:

"There are large areas in Ghana", he said, "which could be much more intensively and profitably cultivated than they are now if only modern scientific farming methods were used. The young people of Ghana should seriously think whether they could not better use their valuable education and knowledge to help the members of their families make the soil more productive by using modern farming methods.....There is a great opportunity in Ghana for all those who are prepared to turn their knowledge and education to agriculture."³

The Minister's "Back to the Land" appeal to Ghana's young men may be important at this time when the production of more protective food is necessary to meet the growing demand. Nevertheless, if Ghana's agriculture remains as it is--with its frustrating tenancy system and low standard of farm living--it is doubtful that the young men will seriously heed him. These young men have been exposed to western culture which has broadened their outlook and changed their tastes. The only place where they have opportunities to satisfy their new needs is in the cities or large towns. Hence the flow to the cities.

If it becomes a serious policy of the government, the "Back to the Land" appeal would be contradictory to the government's own avowed policy of industrial development. History has indicated that as a country advances industrially it draws its labour force from surplus labour in rural areas. Again, this mobility of the labour force helps the "invisible hand" allocate available resources to the optimum. Back to the land is

³Ghana - Government Publications: Ghana Today, September 1958, p. 3

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not a long-range effective solution to Ghana's agricultural problem. If pursued to the letter, it will defeat the government's own development plan. It would be more advisable to mechanize farming (other than cocoa) and make it more lucrative so as to attract those who have the knack for farming. In doing so, more hands would be released for employment in towns and cities as economic development continues. This approach would meet the increasing demand for better food as a result of rapid urbanization. As pointed out in the preceding Chapter, this demand has resulted in a doubling of food imports during the past seven years, thus creating a severe strain on the balance of payments.

There must also be a large increase in agricultural exports to pay for imports of machinery and other goods. Apart from cocoa, few agricultural commodities come into the export market; principally palm oil and palm products, but also, to a smaller extent, copra and coconut oil, coffee, and limes.

In addressing the Ghana Farmers' Union in August 1958, Dr. Nkrumah said,

"In reviewing the programme of the Agricultural Development Corporation, I was struck by the immense possibilities which existed for developing agriculture in all its phases in Ghana. There are opportunities for rubber, bananas and coconut in the southwest; coffee as a new crop in the cocoa area; tobacco, cattle and cereals in the north; sugar and cattle in the southern plains. Small farming is very inefficient in Ghana, and the main task of the A.D.C. is to help farmers improve their farming practices; most crop yields could be doubled if better techniques were employed. The Agriculture Department ought to reach all the villages, bringing the farmers new seeds, new methods, new fertilizers and wider horizons.....The Government is also anxious to help

1. The first part of the report deals with the general situation of the country and the progress of the work during the year. It is divided into two main sections: the first section deals with the general situation of the country and the progress of the work during the year, and the second section deals with the specific results of the work.

2. The second part of the report deals with the specific results of the work. It is divided into three main sections: the first section deals with the results of the work in the field of agriculture, the second section deals with the results of the work in the field of industry, and the third section deals with the results of the work in the field of commerce.

3. The third part of the report deals with the conclusions and recommendations. It is divided into two main sections: the first section deals with the conclusions and the second section deals with the recommendations.

4. The fourth part of the report deals with the appendix. It contains a list of the names of the persons who have taken part in the work, a list of the names of the persons who have given evidence, and a list of the names of the persons who have been consulted.

farmers establish large scale modern agrarian projects, especially in rubber, bananas, cattle ranching, sugar and oil seeds. In addition there would be plantations on a co-operative basis with Ghanaians who contributed land and either labour or the cost of labour.....Indeed this would enable large blocks of land to be brought under cultivation on a modern basis, but it does not solve the puzzle of ownership which gives the farmer more incentive for high productivity.....Demonstration farms of fifty to one hundred acres would be established in various parts of the country to show new crops and methods."

Consequently, A.D.C. has been provided with public funds of £24 million to continue its task of agricultural diversification and development during the next five years (Second Plan). The major objectives of the farm policy are (a) to raise yields of the cocoa industry and to study and promote the use of fertilizers and scientific farming methods in farms other than cocoa, (b) to establish on a large scale rubber and banana plantations, (c) to consolidate other farms especially vegetables and citrus fruits, and (d) to establish firmly the foundation of cattle and meat industry.

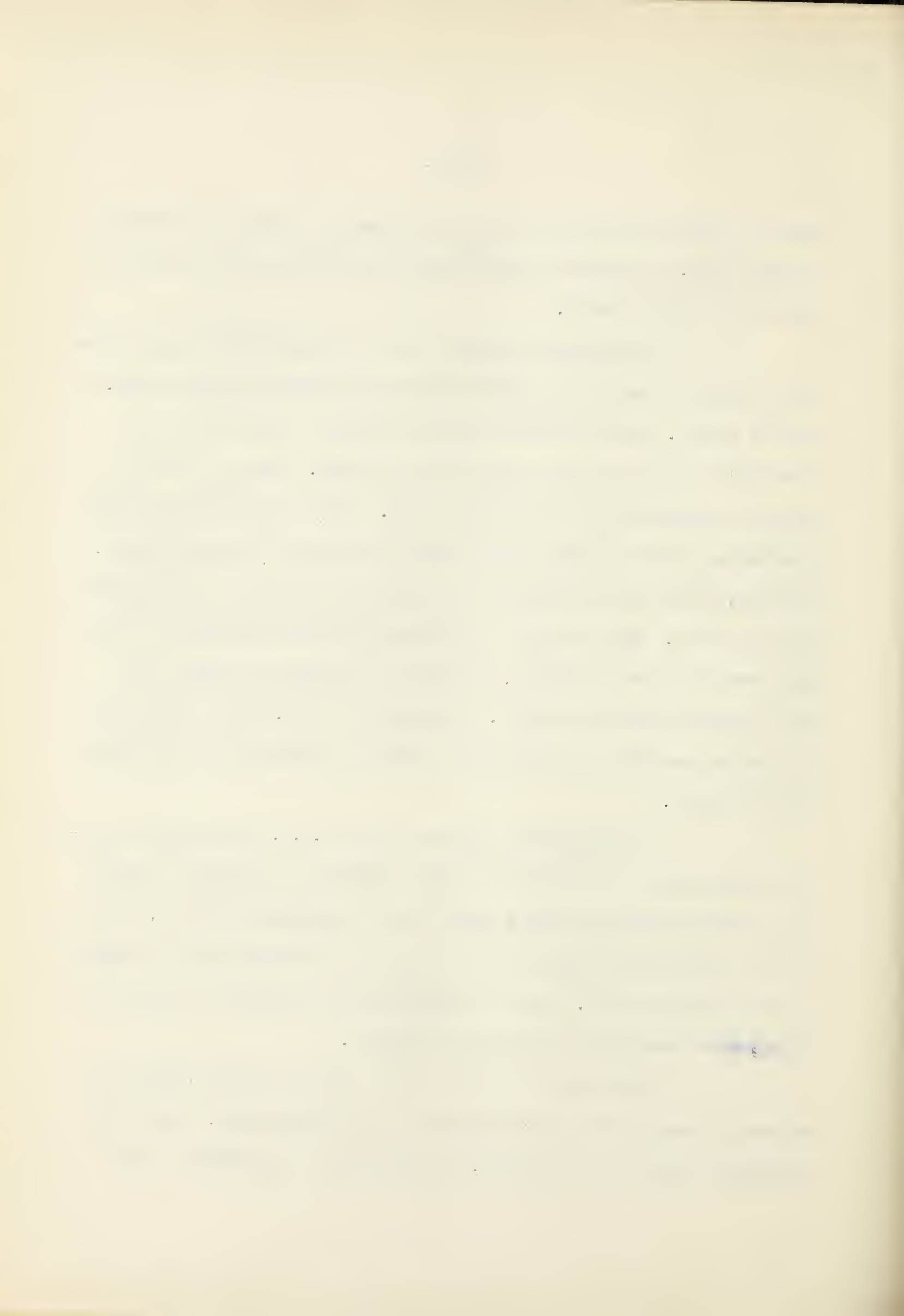
Dealing with cocoa, the government is placing much emphasis on raising the yield per acre by better control of weeds, pests and diseases, by more regular harvesting, by using fertilizers and by planting high yielding stocks. The acreage under cocoa has been determined mainly on the one hand by losses in eastern Ghana due to swollen shoot, and on the other hand, by new planting in western Ghana. Swollen shoot is now under control, and for some time the new acreage planted has exceeded the losses due to the disease. New planting in the West will probably reach its maximum within the next five years since

nearly all the land suitable for cocoa in Western Ashanti is already under that crop. A subsidy of £30 per acre for replanting is offered by the Cocoa Marketing Board.

The biggest operation in the cocoa area is the mass spraying of affected cocoa trees against the capsid insect at a cost of £2.5 million a year. It is expected that this operation will increase the industry's yield by at least twenty-five per cent. This will also be financed through the Cocoa Marketing Board. After much experimentation a technique for fertilizing cocoa plantations has now been established, and £194,000 has been allocated for widespread demonstrations throughout the cocoa area. When the use of fertilizers becomes widespread, a further twenty per cent increase in yield can be expected; however, this will take many years to achieve. Another sum of £13,000 has been appropriated to establish a costing unit in order to determine the production costs of cocoa.

The government, working through A.D.C., has chosen to foster agricultural diversification through subsidies to potential farmers to establish rubber and banana plantations in Southwestern Ghana, where climatic factors are conducive to this type of cultivation and accessible to main transportation. Hence the government has allocated a subsidy of £400,000 to farmers for clearing and planting.

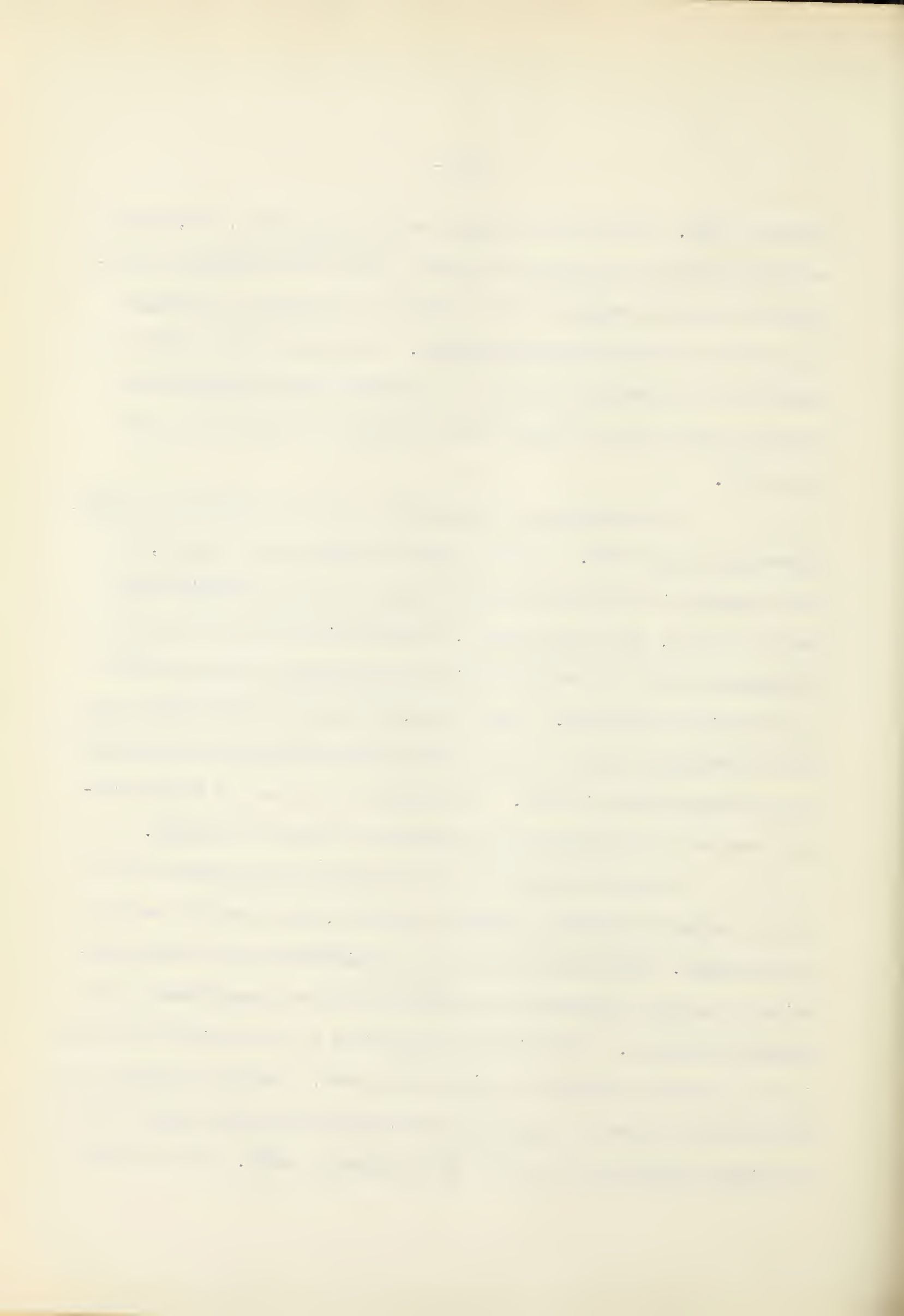
Vertical integration of citrus fruit orchards, maize and vegetable farms is being encouraged during the Second Plan, whilst new commercial crops such as oilseed, and soyabean are introduced in the



Northern Ghana. To meet the immediate cost of development, £10,000 has been voted for the cultivation of tobacco, £50,000 for mechanical cultivation to meet the demands of local cigarette manufacture, and £30,000 for improving and cultivating groundnuts. An increase in the yield of cereals is a top priority not only for immediate human consumption in the North, but also for feeding cattle and other livestock during the dry season.

The handicaps in establishing a cattle industry are severe, especially in the North. If the livestock industry is to succeed, the first priority is to set up an Animal Husbandry Research Station where work on grasses, dry season feeding, animal genetics and other aspects of husbandry can be concentrated while the veterinary stations continue to specialize on diseases. A sum of £75,000 has been appropriated in the Second Development Plan for a new Tsetse Control Section to be established in the Animal Health Division. The research, extension and disease control services of the Animal Health Division will also be expanded.

The prime importance of agricultural development in the initial stages of industrial growth is oft-told, and therefore need not be reiterated. Growth and improvement in agriculture have in many countries in the past fostered and smoothed the path for establishment and growth of industry. It provides the sustenance of the growing urban population, supplies a market for manufactured goods, a source of capital for industry and a source of foreign income to pay for imported capital goods, and gives opportunities for those with managerial skill. All told, such



government expenditure on agricultural development is justified, provided it is efficiently spent.

But the real success of Ghana's agricultural development, and for that matter the whole industrialization programme, depends immensely upon the government's ability to deal with the land tenure system. The land tenure system is the core of all internal problems. It is even more a deterrent to progress than technological and capital difficulties.

Government views on industrial development have been to some extent influenced by the report of Professor W. A. Lewis.⁴ In his opinion, the time was not yet ripe for any major programme of industrial expansion, and, for some years to come, priority must continue to be given to improving agricultural productivity and extending basic services. He considered, however, that a moderate programme of industrialization might be undertaken and that, with this end in view, the Government should take certain steps, including the announcement of its attitude towards foreign enterprise and strengthening the Industrial Development Corporation (I.D.C.) which was first established in 1947 to promote local industries and handicrafts.

All postwar government planning has had as one of its principal objectives the creation of conditions in which an expansion of industry could take place. This in itself is a major task, for it includes road, rail and harbour construction, and provision of water and power supplies. It has, in fact, absorbed a large share of the financial and

⁴W. A. Lewis: op. cit., p. 22



material resources available for economic development since 1951. It was the government's hope that, as a favourable environment is created, private enterprise and capital will be attracted to the task of expanding and diversifying Ghana's economy. Such an expectation has not been fulfilled. In 1955, in the absence of an industrial and commercial class familiar with western trading methods and techniques, and due to the reluctance on the part of western investors to help Ghana in her task of development, the present government realized that it was obliged to take positive action to bring about modernization of the country's economic life.

Acting upon the recommendations of Professor Lewis' Report, late in 1954 the government provided £6.6 million for the I.D.C. to promote or to establish small scale industries such as brick and tile wood products, canned fruits and vegetables which would use local raw materials. The government again hopes to spend another £20 million during the Second Plan. By the end of the First Plan period I.D.C. had established these government sponsored industries. It has now placed increased emphasis on the development of larger scale industries. Among such companies are I.D.C. Workshops Ltd., engaged in the production of joinery and "high-quality" furniture, Nkawkaw Sawmills Ltd., producing saw timber, Ghana Brick and Tile Company Ltd., making roofing tiles, bricks and hollow blocks from local clay deposits and the Match Development Company Ltd. producing matches.

The Corporation hopes to continue the task of industrial development during the next five years. It is hoped, however, that the number of private enterprises will increase.

During the Parliamentary debate regarding the Second Plan, the Prime Minister, reviewing foreign private investment, said,

"Ghana requires both capital and know-how for substantial industrialization. Every effort will continue to be made to assist Ghanaian industrialists, but the principal agents during the next five years will have to continue to be foreign industrial firms.....Foreign capital was assured of fair treatment. Overseas firms were permitted to pay dividends and repatriate capital in foreign exchange without restriction.....The Government had no intention of nationalizing industries. An Agreement had been signed with the Government of the United States of America guaranteeing the rights of American investors in Ghana, and Ghana will be willing to sign similar agreement with any other country."⁵

However, during the last eight years, the country had not received a favourable response to its appeal for development funds, the Prime Minister continued,

"While it is true that Ghana's Government cannot provide all the capital which is required for industrialization, it is nevertheless true that Government capital can for the time being be used decisively either to stimulate the flow of private capital or/and to pioneer in projects where the risks are too great for private enterprise.....Specially high priority will be given within the next five years to promoting the establishment of not less than six hundred factories of varying size producing a range of over a hundred different products."⁶

Accordingly, £20 million has been appropriated for direct investment in industrial enterprises during the next five years. Part of

⁵Ghana, Ministry of External Affairs, Ghana Today, Building a Future, April 1, 1959, p. 5

⁶Ibid, p. 5

this sum will be for investment in shares or debentures of private undertakings, the rest will be for investment in undertakings under the control of the Industrial Development Corporation. Special areas are being developed in Accra, Tema, Takoradi, Cape Coast, Kumasi, Tamale and other places where land can be had for factory sites with clear titles, and where all the services needed by industry will be available. It is also intended to build up some twenty other rural centres, each of which will have some industrial development. The policy will be to divert to these towns such factories as do not need to be part of a large industrial area if they are to survive commercially.

At present it is not possible to say just what factories will be built in Ghana during the next five years. At the time of writing of this paper it is understood that the government is considering some of the following industries where preliminary investigation has already been completed: (a) cotton spinning and weaving, (b) bleaching, dyeing and printing, (c) textiles manufacturing and knitwears, (d) tanneries, leather goods, boots and shoes, (e) glass and building materials, (f) aluminium products, (g) fertilizers and insecticides, (h) motor car assembly, rubber and plastic products, (i) canneries, fish products, and (j) cosmetics, etc.

For all this and the agricultural diversification programme, about £50 million sterling has been appropriated.

Industrial development in most countries has, with due regard to the raw materials and agricultural products available, followed

the classical pattern of moving from an agricultural economy to a mixed one. The processing of agricultural materials into foodstuffs, the production of beverages, the manufacture of building materials, the production of garments and knitted fabrics from imported piece goods and yarns, has been accompanied by the growth of engineering services for repair work and for the construction of minor articles of equipment.

For Ghana, it is believed that Professor Lewis has now suggested the development of the above-mentioned industries on small scale to meet increasing domestic demand. At this juncture, perhaps, special attention has been given to the list of Ghana's manufactured imports and considered which of those it is possible for the country to manufacture at its stage of development. Operation on small scale will prevent heavy costs which result from agglomeration of large labour forces in underdeveloped countries--most of them may not be sufficiently trained and efficient in their task; the overhead capital costs stemming from such agglomeration are often high, and do not directly increase productivity. Few will gainsay that administration of small units presents less problems and permits administrative resources to be well utilized; it also provides a more suitable training ground for business and administrative responsibility.

For best utilization of available and future resources, perhaps Ghana should take bold and positive steps to develop a West African Common Market as part of its industrialization programme. Economically it would be to a greater advantage of countries concerned in West Africa in the long run to help build such a market whereby almost all tariff barriers

between them were eliminated and the over-all economic development gradually co-ordinated. It will be no easy task of bringing this big market to fruition.

Over the past few years (during the First Plan) the Geological Survey Department has conducted a reconnaissance over the whole country in search of minerals. As a result, new deposits of manganese ores, iron, bauxite, and diamond fields are now being worked. In addition, a general hydrological survey of rivers and the source of hydro electric power has been made. All told, it cost the government £0.9 million. The next step is to find those minerals which do not readily reveal themselves by surface indications. This requires much more specialized techniques and expensive equipment.

But for the meantime, during the Second Plan period the government has appropriated about £1.8 million (see Table 6.2) for capital works, purchase of new equipment to undertake further surveys including aerial surveys, to await future private investments in this field.

Beside lack of know how and funds which perhaps discourage enterprising young Ghanaians to engage in mining, the old social factor--land holding title--is another deterrent. Mineral rights are held by traditional authorities (the tribal chiefs) and by some individual Ghanaians, and not by the government. This hinders large-scale systematic prospecting for the prospector must negotiate with scores or hundreds of owners in order to acquire mining rights over a large block of land. Some modern scientific methods of prospecting, such as the conduct of magnetic

Table 6.2 EXPENDITURE FOR GEOLOGICAL SURVEYS DURING 1959-64

	Total for Plan (1959-64) £	Immediate Implementation (1959) £
Systematic Geological Mapping Programme	1,193,305	1,193,305
Contract Works		
Diamond Core Drilling	75,000	75,000
Aerial Geophysical Surveys	400,000	400,000
Capital Expenditure		
Instruments and Equipment	30,000	30,000
New Headquarters, Accra	55,000	55,000
Six Bungalows, Accra	30,000	30,000
Office, Tamale	5,000	5,000
Bungalow, Tamale	5,000	5,000
Bungalow, Koforidua	<u>5,000</u>	<u>5,000</u>
Total	<u>£1,798,305</u>	<u>£1,798,305</u>

Source: Development Estimates, 1959, p. 2

surveys from aeroplanes, can only be done effectively on a large scale, and will be undertaken by private prospectors only if they are confident that they can acquire mining rights if their surveys indicate prospects of success. The government therefore intends to introduce legislation which, while retaining the rights of the private land owners to receive royalties, will give the government power to grant exclusive prospecting and mining rights in order to facilitate effective mining and industrial operations. If the government finally succeeds in gaining the co-operation of the tribal chiefs in this respect, then prospecting and discovery could be effectively undertaken. As new economic minerals are discovered and developed, depending upon home and world demand, Ghana will stand to gain more from the money being invested for ground work of prospecting and training of personnel.

Public expenditure for agricultural, industrial, and mining development during the current Second Plan will be about 14.8 per cent of the total estimated development expenditure as compared with 9.6 per cent of the previous Plan actual expenditure. It is likely that by the end of the Second Plan the actual spending may have increased depending upon trend of prices and possible changes in the initial plan.

Power resources is another field of development. Ghana, at present is without coal or oil of its own. She depends for energy upon imported coal from Nigeria and oil from the Middle East. Oil is a great question mark. Some investigation for oil has been already undertaken by the Gulf Oil Co. Ltd. (in partnership with the Government of Ghana),

and the work is continuing. At the moment, very little is known about the petroleum prospects. There is no doubt that the discovery of commercial quantities of oil, and the development of the Volta Project (hydro electric power part of the project) would make a big difference to the industrial potential of Ghana.

In the meantime, by far the most important electricity development during the First Plan was a 45,000 kilowatt steam power station at Tema (Volta Project area) and the initial stages of dam construction--part of Volta Project--which cost the country £2.9 million.

The importance of the Volta Project upon which most of the source of energy for Ghana's future economic growth hinges has been pointed out in Chapter III. Even though its full development, which involves a series of projects, is being frustrated by circumstances, it still has number one priority in the government's economic programme.

"The Government's ultimate aim is to attempt the total electrification of Ghana, while the immediate aim is to use hydro electric power to electrify as much of the country as possible and to provide an abundance of cheap electric power for the development of industry."⁷

After many frustrating attempts to secure foreign loans for the project, the potential for hydro electric power in Ghana was re-examined by the Volta River Preparatory Commission whose report was published in 1955. In this Report, attention was limited to major projects which would provide sufficient power to develop the aluminium industry from the extensive bauxite deposits in the country. In October 1958,

⁷Ghana, Ministry of External Affairs, Building a Future, op. cit. p. 20

the Kaiser Industries Corporation of America was engaged to carry out a reassessment survey to bring the cost estimates of the 1955 Volta River Report up to date. The Corporation examined the possibility of reducing the cost of the hydro electric power schemes and of proceeding with these projects without the development of the aluminium industry.

"The Government has not abandoned the prospect of using the hydro electricity for the development of the aluminium," said the Prime Minister. "On the contrary, it is intended to develop this industry as soon as possible. It will be necessary, if a scheme of this magnitude is embarked upon to raise the majority of the capital required by way of international loans. Until then the Government is determined to develop the hydro electric potential in Ghana to its maximum during the Second Plan period. In addition to major electric projects, consideration is being given to the possibility of harnessing smaller rivers for small scale hydro electric power plants to be operated in conjunction with agricultural irrigation projects and pipe borne water supplies."⁸

Even the Volta Project was originally considered "technically sound",⁹ yet in face of lack of adequate funds for the main project and failure of both the British Government and of two leading aluminium companies to honour their undertakings, it may seem advisable for Ghana, at the present time, to concentrate on alternative small scale power projects to meet the immediate need for energy. It is quite possible that as the economy becomes developed and grows Ghana may be in a better position financially to embark upon the main project of Volta River.

⁸ Ibid, p. 20

⁹ Cmd. 8702. A scheme for financing the project envisages Ghana (then Gold Coast) Government being responsible for public works and for part of capital needed for dam and power station; the United Kingdom Government lending capital, primarily for investment in the power side of the project; and the aluminium companies being concerned with the provision of capital for the development of the smelter and the bauxite mines.

At the time of writing, it is understood that Kaiser Industries Corporation has shown interest in the project, perhaps the first phase of the dam for power will then be completed during the Second Plan period. An amount of £100 million has been included in the Second Plan for development of hydro electric power during the life span of the Plan. The multiple phase Volta River Project, which was initially estimated in 1952 to cost £144 million to complete is now estimated in the neighbourhood of £300 million. As prices continue to rise, it is expected that the cost of the project will be increasing the more it is delayed. Considering the surrounding financial conditions, the full project is far from implementation. Ghana cannot allocate all her development funds to this single project; neither are foreign private capital nor other foreign funds forthcoming for the project.

Amidst the uncertainty of the Volta Project, the second phase of over-all economic and industrial development is being undertaken by and large by the government.

Dr. Nkrumah introduced the Second Five Year Plan of £343.4 million as a foundation for the Welfare State. During his speech to the Ghana Parliament he said:

"This is a time for ambition, for without ambition nothing can be achieved.....The plan clearly reflects the development which we want to see take place in our country. It is up to each and everyone of us to do everything in his power to see that this objective is achieved.....It is the aim of my government to create the means for the good life, to abolish disease, poverty, illiteracy, give our people ample food and good housing, to create a society in which everybody in Ghana can enjoy the

fruits of his labour and raise the economic and social standards of the people and so let us advance confidently as a nation."¹⁰

The Prime Minister reviewed some of the achievements of the past eight years (1951-59) which were years of tremendous political activity and full of difficulties. Nevertheless, there had been some development in every field of business and particularly in the government sector which has resulted in a tremendous growth of urbanization according to African standards. There are now new and better roads; free primary education has been introduced; the University College and Kumasi College of Technology have been established; medical services have been extended and new hospitals built; the entire system of communications has been revolutionized, railways have been extended, Takoradi harbour enlarged and a new one at Tema built, new bridges built and new modern townships established at focal points. In addition, political "progress" has meant reorganizing the administrative machinery of government and that of local governments.

"All this has been achieved during the last eight years", said the Prime Minister, "but what we have done in the past has only set the stage and provided the framework within which we can now go ahead and develop our economy. This aim cannot be achieved all at once, but it can be realized through a series of five year plans like the one we are about to embark upon. This Second Development Plan will, I am confident, lay the foundation on which our economic independence can be built."¹¹

In sum, the First Plan covering a period of eight years (1951-1959) involved an expenditure of £146.6 million and did much to

¹⁰ Ghana - Ministry of External Affairs - Ghana Today, March 18, 1959, p. 5

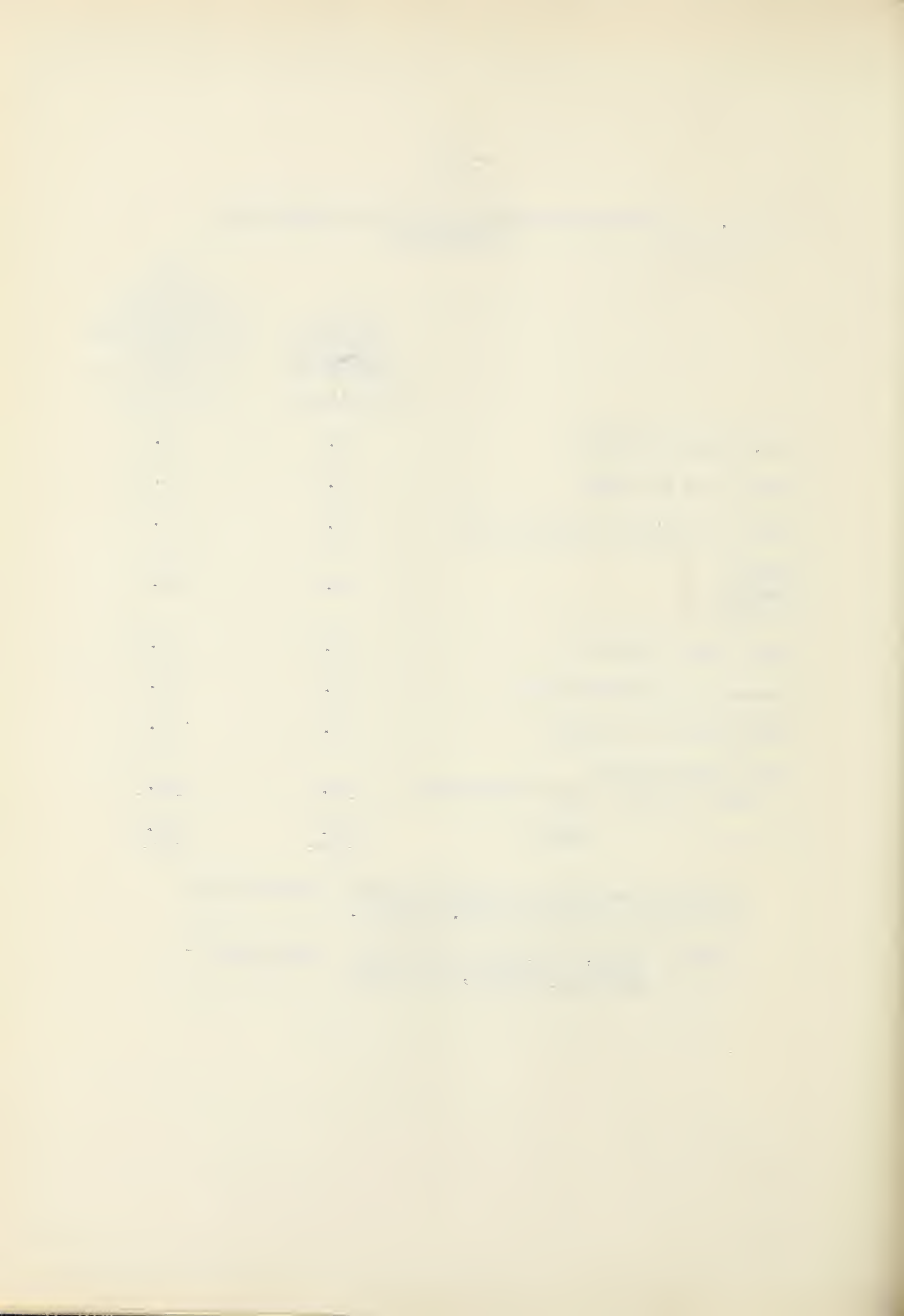
¹¹ Ibid, p. 5

Table 6.3 APPROVED SECOND DEVELOPMENT PLAN EXPENDITURE
(1959-1964)

	Total Allocation (1959-1964)	Funds Available for Immediate Implementation (1959)
	£ (million)	£ (million)
General Administration	13.7	7.8
Defence Law and Order	7.7	4.7
Local and Regional Administration	18.9	9.2
Health)	88.6	50.7
Education)		
Housing)		
Other Public Utilities	11.5	8.6
Transport and Communications	53.0	28.7
Agriculture and Industry	50.0	25.8
Volta River Project (Hydro Electric Power Development)	<u>100.0</u>	<u>100.0</u>
Total	<u>£343.4</u>	<u>£235.5</u>

Balance of cost to be provided for from revenue within
the next five years is £107.9 million.

Source: Ghana, Development Commission - Ghana Today -
Building a Nation, April 1959



provide for initial development with the emphasis on communications, education, health and general services. Expenditure for the Second Plan has been approved by the Parliament, and during the next five years (June 1959-1964), Ghana expects to spend £343.4 million for economic development.

In addition to this development spending is the government's recurrent expenditure (Table 6.4). This sector has been rising steadily, from £13.4 million in 1951 to £43.5 million in 1958 (or from 5.6 per cent to 12.8 per cent of the Gross National Product within the same period).

RECURRENT GOVERNMENT EXPENDITURE

Table 6.4

£ (million)

ITEM	FISCAL YEAR							
	1951	1952	1953	1954	1955	1956	1957	1958
1. Salaries, pensions and Wages	10.3	15.8	15.3	18.0	19.6	20.6	21.6	23.4
2. Net Domestic Purchases)							13.0	14.0
3. Net Overseas Purchases)	0.6	0.6	0.6	8.0	10.2	12.0	1.4	1.8
4. Interest on Domestic Debt	-	-	0.2	0.3	0.4	0.7	0.7	0.7
5. Interest on Overseas Debt	0.3	0.3	0.3	0.3	0.4	0.2	0.1	0.1
6. Subsidies to Gold Mines	0.1	-	0.1	1.4	0.8	0.4	0.3	0.1
7. Grants to non-profit Institutions	2.0	2.6	3.5	1.5	1.7	1.8	2.1	2.1
Sub - Total	13.3	19.3	20.0	29.5	33.1	35.5	38.8	43.2
Extraordinary	0.1	1.0	3.0	1.1	1.0	1.2	1.0	1.3
Total	13.4	20.3	23.0	30.6	34.1	36.7	39.8	43.5

Source: Economic Survey of Ghana
Financial Statement 1958

The government's expenditure on consumer goods and services which consist of compensation of employees and pensioners, and net purchases from local enterprises and abroad, carries the most important share of total recurrent expenditure. The aggregate spending of this sector (Items 1-3) increased from 7.9 per cent of the Gross National Product in 1954 to 11.2 per cent in 1958. The total of outstanding public debt (excluding loans from C.M.B.) is £20.5 million; of this debt only £3.2 million is owed to foreigners. The interest charge on the public debt is at present very small, amounting to £0.8 million in 1957/58, one-eighth of which is on external loans. All being well, we may expect Ghana to increase its public debt for the Volta Project. Any increase in debt may depend upon future cocoa revenue, future response of private capital investors and possibly future availability of foreign aid.

Between the fiscal years of 1951 and 1959 Ghana government expended £240.5 million on consumer goods and services; and £146.6 million on Development Plan (both social and productive investment), i. e. an average of £49.6 million a year.

Although the government intends to finance most of the development programme by ordinary revenues and by internal borrowings from the Cocoa Marketing Board Reserves (funds fully controlled by the government), the present tax base is slim.

But the expansion of public expenditure is likely to be accompanied by a considerable expansion of the tax base and of tax yields. Careful consideration is being given to the effective formulation and

implementation of monetary, trade and fiscal policies so as to "decoy" foreign investment as well as to foster local capital formation and enterprising spirit.

"No one likes to part lightly with his hard-earned money," commented Mr. K. Amoah-Awuah, Parliamentary Secretary to the Ministry of Finance, at the opening of a new Income Tax Office at Koforidua. He continued,

"Ghana is a young nation making real advancement--the fine tarred roads, the bridges, the electricity and water supplies, the schools and colleges.....all these must be paid for."¹²

Let us see how Ghana is going to meet the cost of raising its people's standard of living.

¹²Ghana - Ministry of External Affairs - Ghana Today, September 3, 1958, p. 6

CHAPTER VII

REVENUE AND TAX SYSTEM

A large development programme together with increasing current expenditure is dependent on Ghana's capacity to finance such expenditures. It is a well known fact that the prospects of economic growth depend on the amount of resources available for investment and on the incentives to utilization of these resources in real capital formation. The funds for this purpose are essentially derived from the flow of country's income not absorbed by consumption. But resources available in Ghana are dependent upon external forces, especially the terms of trade over which the government has little control. In this respect the yearly yields of government revenue are in practice determined by the prospects of Ghana's primary exports market--especially the cocoa market.

Besides the general reserves of C.M.B.¹ which serve as a cushion for development expenditure, the government's chief source of revenue lies in taxes which in 1958 represented about 85 per cent of the regular treasury income, the remainder corresponding to revenue from sources other than taxation such as special C.M.B. grants, and until 1957 grants from Colonial Development and Welfare Fund and interest on government overseas holdings.

The most important single source of revenue is the export duty on cocoa. This tax accounts for about 45 per cent of total ordinary revenue (see Table 7.1) whilst the aggregate tax yields of the company, mineral profit and personal income tax normally account for about 14 per cent.

¹General Reserves of C.M.B. are kept separately by the Board. Such reserve accounts are not included in the government Budgetary Estimates.

GHANA GOVERNMENT REVENUE
(in order of importance)

Table 7.1

£ (million)

	FISCAL YEAR									
	1950	1951	1952	1953	1954	1955	1956	1957	1958	
<u>Ordinary Revenue</u>										
Export Duty on Cocoa	12.0	15.0	15.9	18.1	48.7	27.8	12.4	18.7	26.0	
Import Custom Duties	7.3	9.4	9.6	11.4	13.2	14.9	16.4	16.1	15.1	
Company Income Tax	2.0	2.1	3.1	2.0	2.3	2.9	2.5	4.3	5.3	
Mineral Profit Tax	1.7	2.4	3.1	3.3	3.0	2.3	2.0	2.0	3.0	
Royalties	1.9	2.7	4.9	5.9	2.3	2.1	2.1	2.5	2.7	
Receipts from Government Depts	not available				3.0	2.0	2.9	5.0	6.7	
Fees, Licences and Stamp Duties	0.7	0.9	1.0	1.9	1.1	1.5	1.3	1.4	1.7	
Excise and Local Duties	0.7	0.8	0.9	1.3	1.1	1.2	1.8	3.0	2.7	
Personal Income Tax	0.3	0.1	0.2	0.7	0.6	0.9	1.0	1.2	1.4	
Export Duties Others	0.2	0.4	0.6	0.8	0.7	0.9	0.2	0.2	0.8	
Total	26.8	33.8	39.3	45.4	76.0	56.5	42.6	54.4	65.5	
<u>Extraordinary Revenue</u>										
Special Grants from C.M.B.	5.8	4.0	3.0	2.1	2.1	4.2	5.5	3.8	2.4	
Colonial Development Welfare	0.7	0.3	0.2	0.1	0.4	0.6	0.9	-	-	
Interest on Government Overseas Securities and Redemptions	-	-	-	-	2.0	2.8	3.4	1.9	1.8	
	33.8	38.1	42.5	47.6	80.5	64.1	52.4	60.1	69.7	
<u>Percent of Cocoa Export Duty of the Total Ordinary Revenue</u>										
	44.8	44.4	40.5	39.9	64.1	49.2	29.3	34.4	39.7	

Source: The Finance Statement, 1958/59
Economic Survey, 1958
Quarterly Digest of Statistics, May 1959

Among the indirect taxes, the group with the highest yield is that of custom duties which produces about 27 per cent of the total ordinary revenue.

Dependence on export and import duties is one of the symptoms of most economically underdeveloped countries because the whole tax system is related to the rural economy, and its tax yields fluctuate widely, along with prices and volumes of the country's primary exports. Levying personal income tax is administratively expensive in relation to the anticipated yields. There are too few who pay personal income tax. The problem of evasion is serious; when a large part of the income subject to taxation is received by petty traders who do not keep proper accounts, or by the cocoa farmers who have a traditional practice of hoarding their savings, it becomes extremely difficult to enforce income tax provisions.

The class which it is easy to tax is the tribal chiefs and their clans, because neither incentives nor savings are involved and also because most of them are now in political disfavour. The salaried middle classes are hard to tax partly because they now wield political power in the new government and partly because incentives are required for the expansion of the "new class" in the society. Perhaps one of the principal catalysts of economic development is to increase the number of semi-skilled, skilled, managerial, and professional people in the country, and this may be adversely affected by any high taxation. Profits of foreign business houses have been difficult to tax because such companies are subsidiaries of overseas corporations, and until recently they did not

maintain separate accounts from their parent-corporations. Even if such profits were easy to tax any high taxation of their profits may damage incentives to re-invest their earnings for capital expansion. Under these circumstances a country which is anxious to encourage development is likely to offer more tax concessions to all potential investors. These are the forces which may influence the tax policy of most under-developed countries. Such countries have to rely to a great extent upon indirect taxation not because they wish to distribute the tax burden differently, but partly because the proportion of the national income over the practicable exemption limit is so much smaller, and partly because the government wishes to encourage those with initiative to help develop the country.

There are various means by which the State can affect the level of the country's economic growth: (a) the use of current government income for purposes of investment, (b) the mobilization of private savings through the medium of the internal public debt, and (c) the incentives to private savings, through public expenditure, tax policy, the exchange system and other instruments of government economic policy.

Judging from government accounts and its early public pronouncements, it appears clear that, even though by 1957 Ghana has not modified its inherited colonial tax set up, she followed the course of (a) and (b) above in the initial stages of development. She financed the first development plan and current expenditure from her own revenue resources, borrowings, and grants from C.M.B. reserves.

In designing Ghana's Second Development Plan, the government succeeded in getting a United Nation Tax Expert,² Mr. Harvey Perry, to help form a new tax policy conducive to both local and foreign investment. It is understood that Mr. Perry recommended tax concessions which the government intends to implement during 1960/61 and successive fiscal years.

Until these tax concessions are effective the government intends to continue financing the Plan as long as world market conditions yield cocoa revenues of recent levels. To date the government has allocated £146 million from the country's foreign exchange reserves to meet more than half the cost of the Second Plan. It means that the government will henceforth have to improve and expand its tax base vigorously so as to meet present and future commitments. At present the main elements in the tax structure are the cocoa export duty; import duties and company and mineral profit tax. Since the direct role of fiscal policy is one of the conditions of channelling of available resources towards economic development and for future economic stability and growth, we shall, therefore, examine in this respect the principal taxes in order of importance for possible effects on industrial development.

The cocoa export duty contributes yearly almost half of total ordinary revenue. The reliance on cocoa duty has been more pronounced in relation to other existing sources of revenue. Generally, the rate of cocoa duty depends upon the world price per ton during each fiscal

²The report of Mr. Perry was marked "Restricted", and the Government of Ghana has not published it.

year. For example,

- '(a) where the value for duty does not exceed £120 per tone, one-tenth of such value for duty or £10 per ton whichever is the less;
- '(b) where the value for duty exceeds £120 per ton but does not exceed £260 per ton, an amount per ton equal to one half of the difference between the value for duty per ton and £100;
- '(c) where the value for duty exceeds £260 per ton, an amount per ton equal to the difference between the value for duty per ton and £180.

"For the purpose of this item, the value for duty shall be the price which the Comptroller is satisfied is the price, free on board, at which the C.M.B. has contracted to sell the cocoa to a purchaser outside Ghana or where C.M.B. has not so contracted to sell the cocoa, the best price, f.o.b., which in the opinion of the Comptroller could have been obtained for such cocoa on a sale to a purchaser outside Ghana within two months after exportation or attempted exportation."³

Consequently, the cocoa revenue depends upon the yearly production of cocoa by the farmers, as well as upon volumes and prices of sales by the Cocoa Marketing Board. As the yearly receipts of the C.M.B. fluctuate, so also does the government revenue from this source.⁴ For instance in 1950, the cocoa revenue contributed about 44.8 per cent of government total ordinary revenue, it dropped to 39.9 per cent in 1953, rose to 64.1 per cent in 1954, and declined again to 39.7 per cent in 1958. It therefore indicates how important is cocoa as a single sustaining force of both the government administration and the country at large.

³Ghana - Department of Customs and Excise - Custom Duties Ordinance, pp. 1-20

⁴See Revenue Cocoa Fluctuations, Table 7.1

SUMMARY OF GOVERNMENT REVENUE AND EXPENDITURE

Table 7.2

	FISCAL YEAR			
	1954	1955	1956	1957
	£' (million)			
Ordinary and Extraordinary Revenue	80.5	64.1	52.4	60.1
Development Budgets Receipts ⁵	4.7	6.8	.2	-
Totals	85.2	70.9	52.6	60.1
Ordinary and Extraordinary Expenditure	33.3	46.2	42.7	47.1
Development Expenditure	15.0	25.3	17.5	16.6
Totals	48.3	71.5	60.2	63.8
Financing -				
Increase or Decrease in Overseas Balances	36.9	-4.1	-5.5	-3.2
Increase or Decrease in Other Balances	-	3.5	-2.1	-0.5

Source: Economic Survey 1958, p. 72

Until 1955/56 fiscal year, total public revenue exceeded total expenditure, both ordinary and extraordinary, and development expenditure. These surpluses which are accounted for by high cocoa revenue enabled the government to accumulate considerable balances that were kept in reserve for later development expenditures. This, however, is no longer

⁵ Development Budget Receipts are only surplus funds of previous year's development expenditure carried forward.

the case. In 1955/56, as well as in 1956/57 and in 1957/58, the government had to draw upon these balances because of successive deficit budgets. One of the main causes of this change has been the continuous rise in ordinary expenditures due to the expansion of government services. The drawings in 1957/58 were considerably less than the previous year due largely to the rise in cocoa price on the world market.

Economic development could take place without the cocoa funds if necessary savings were forthcoming from other groups--either from local business savings or from foreign investments. But this has not been the case in Ghana. If it is desired to accelerate capital formation, there is in practice no other way of doing this than to levy substantially upon the cocoa industry, because agriculture constitutes about 60 per cent of the national income, and also because levying upon other sectors is handicapped by the fact that it is desirable to have these other sectors expand as part of the process of economic and industrial growth.

It is unequitable to make the cocoa farmers who constitute 15 per cent of the labour force to bear the brunt of both current and development expenditure. But, as we discussed in a preceding chapter,⁶ it is the only way out if Ghana is to finance development from its own resources:

"The Government's annually recurrent expenditure continues to increase," stated the Minister of Finance during his 1958/59 budget speech. "Indeed the rate at which it is increasing is a matter which causes me great concern, because it becomes increasingly difficult to see where we are going to find the money (if the world price for cocoa falls) to pay for this expenditure until we succeed in expanding the economy along the lines which I have been indicating."⁷

⁶
See Chapter III

⁷
Ghana - Minister of Finance - Budget Speech 1958/59, p. 10

The Farmers Union has accepted the economic development policy, thus any adverse effects on the farmers' incentive are averted.

The next major source of government revenue is tariff (custom duties). Between 1950 and 1958, it contributed about 30 per cent of the ordinary revenue (see Table 7.1). The present tariff can be described as mainly a form of indirect tax on consumer spending. The principal revenues come from (a) tobacco, spirits and beer, (b) piece goods and apparel of cotton and silk, and (c) motor spirits. In addition to these a broad group of imports is subject to duty.

In search of more revenue to meet the cost of expanding government activities, and since the tariff is the main form of indirect tax on consumer spending, it is understood that Mr. Perry has advised the government to review the schedules to determine whether more revenue can be obtained from major imports of consumer luxury, semi-luxury and semi-durable goods. Following this advice, the Minister of Finance in his 1959/60 Budget Speech proposed changes in the over-all import duty schedule.

"I am therefore proposing at a later stage of this session to introduce a bill to amend Section 21 of the Customs Ordinance to bring new changes.....I am advised that a reasonable estimate of increased revenue would be collected.....I have already said that the private motorist who travels largely for.....pleasure should make an increased contribution to the revenue.....duty on cars is to be raised from £50 to £150, wireless sets.....new rate will be £35 on a set or 45 per cent ad valorem, and other imports 25 per cent ad valorem."⁸

In levying indirect taxes, the principle is to put high rates upon luxury goods and other articles for which the demand is increasing rapidly whether

⁸ Ibid. p. 6

they are strictly luxury articles or not. Articles such as household appliances, radio, bicycles, motor transport, beer, cigarettes, gramophones, etc. The main interest in the tariff imposition is in its possible effects on consumer spending and thereby inversely affecting economic development. As yet, the new higher tax on consumer goods has not affected consumer spending--the spending spree continues. Indirect taxes do not have the same effect on incentives because people are not so conscious of them.

Company tax is a third major source of government revenue. It contributes less than 10 per cent of ordinary revenue. As Ghana needs foreign capital, it would be to its advantage to change the old colonial company tax structure with a hope of attracting more private foreign investment.

"I believe.....at least part of the solution to this problem lies in creating conditions (possibly tax concessions) which attract the capital in the first place and which also encourage the investor to re-invest a large part of his profits within the country,.....thus with advice of an international tax expert (Mr. Perry) government is considering changes in the company tax structure."⁹

At present rate, which is about to be changed, is 45 per cent. In 1945 and 1946 it was 25 per cent and it was pushed up to 37.5 per cent between 1947 and 1953. The philosophy behind this high rate was that it is politically easy to tax the profits of companies which are largely held by foreigners, and secondly these foreign-owned companies have in the past been reluctant to re-invest their earnings within the country. The problem posed by a high marginal rate is its possible effects

⁹Ghana - Ministry of Finance - Ibid. p. 7

on incentives on these companies, if in the long run they change their mind to help Ghana develop the country. For a young country endeavouring to attract foreign investment, a rate of 45 per cent is high and may very well deter this much needed investment.

Most of the large companies carrying on business in Ghana originated in the United Kingdom and they transferred as much of the profits as possible to their parent companies each year until 1945 when Income Tax (Personal and Company Income Tax) was officially introduced in Ghana. Even though the new tax rate of 1945 which was then 25 per cent reduced their profit remittances, they continued to transfer almost all their profits (after tax) to Great Britain or France. Many of these companies have recently changed the status of their business operations to independent corporations. Under this new development, the main brunt of Ghana's corporation falls on such local companies (unless shifted forward) rather than on parent companies in the United Kingdom. The result is that profits available for possible re-investment in Ghana are reduced by the company tax. The fact that most of the parent companies have now set up independent companies in Ghana may suggest a willingness to expand their operations, if the present income tax rate is not high.

Given an equal opportunity to make further investment in all African countries, and with high marginal efficiency of capital, companies are likely to favour those countries having the lower tax rates. For example, as compared with other African countries (Table 7.3), in French West Africa the taxes are 22.5, and 25 in Belgian, and 22.5 per

cent in Egypt. Only Ghana and other British West African countries still maintain the old tax rates which comparatively stand out as a high rate area.

Table 7.3 COMPARATIVE COMPANY TAX - IN VARIOUS COUNTRIES (1958)

	<u>Tax Rate - Per cent</u>
Ghana	45
Nigeria	45
Gambia	45
Sierra Leone	45
<u>Other African Countries</u>	
Egypt	22.5
Liberia	5-25
Belgian Congo	25
French West Africa	22.5

Source: Colonial Tax Returns
Egypt and Liberia Income Tax Laws, 1958

A recent development in the United Kingdom has encouraged British companies to expand their overseas subsidiaries, but the present rate of Ghana's company tax may deter any such expansion. Under this measure, a British Company is authorized to establish an Overseas Trade Corporation to carry on its business activities outside the United Kingdom. The profits from activities are free of the United Kingdom Income

Tax until they are returned to the United Kingdom, no tax is paid until such profits are declared as dividends by the Overseas Trade Corporation.

It appears therefore that there is now more incentive to earn profits in the lowest area of company tax and re-invest them in that same area.

Unless Ghana lowers its company income tax rate, probably she stands to lose. Foreign business men are "allergic" to high tax rate in underdeveloped countries. In more industrialized countries, such as the United States of America, the corporate form of enterprise is considered as an ideal vehicle for accumulation of earnings to plough back for further expansion. But Ghana's present rate of 45 per cent and its relatively small market does not encourage such accumulation.

Perhaps the recent withholding tax of six pence (6d.) in the pound (imposed on dividends and interests paid to non-residents)¹⁰ is a complementary step to a possible reduction in company tax to give incentive for company's earnings for further investment. Care may be taken to avoid any tax distortions or evasions; i. e. any dividends meant for non-resident are taxed. A levy of this form is, in effect, in Canada. This tax which must be withheld by the payer is levied on the gross amount of the payment and is generally at the rate of 15 per cent.¹¹

¹⁰Ghana, Minister of Finance - Budget Speech 1959/60

¹¹Part III of Canada Income Tax Act

Other than its possible adverse economic effects on foreign investments in Ghana, the same taxation cuts through local capital also. It militates against any possible indigenous formation of companies. As long as small companies are expected to devote 45 per cent of their profits to taxes, there will be no incentive to company formation, and it is likely to deter any expansion of the existing small companies. Some form of relief for both large and small companies would in the long run benefit Ghana economically. Probably, the same necessity prompted Colombian Government to adopt different measures to provide incentives to investments and promote compulsory re-investment of private resources for specific purposes of economic development. Measures such as (a) tax exemptions to attract resources towards specific branches of the economy, (b) general tax incentives to the installations of new industries and (c) exemptions to encourage investment in underdeveloped geographic areas."¹²

The company tax is the third most important source of government revenue (Table 7.1); in recent years, 1956-1958, it has accounted for about £5 million. But the tax yields from this source have been lower than expected; this is due to poor tax administration and collaboration of certain tax officials with business houses which enable them to evade full profit taxes. As such any reductions in this field would at first reduce further government revenue to meet its development commitments in Ghana. All the same, in discussions with Mr. Perry, he suggests a reduced progressive tax of about 25 per cent on the first taxable profit of £15,000, i. e. from

¹²United Nations: The Economic Development of Colombia, p. 112

the present rate of nine shillings (9s.) to six shillings and nine pence (6s.9d.) in the pound. This reduction would likely make a favourable impression on potential investors. A lower rate on the first £15,000 is an incentive to the establishment and development of small companies. Here again, administrative technique is necessary to prevent any company splitting its operations into small subsidiaries so as to take advantage of this tax concession.

As these new tax proposals are calculated to promote private capital, tax incentives to pioneer companies may not be overlooked. Such tax concessions, coupled with profitable market and good government, could help build local and foreign private enterprise as time goes on. Most investors and businessmen are persuaded to invest or open businesses abroad only when the prospective rate of return is at least appreciably higher than can be earned at home. The purpose of such concession is generally given to encourage new industries that will contribute to the economic development of the country. The stated purpose under the Ghanaian law (Fourth Schedule of the Income Tax Ordinance) "is to foster any industry which is not being carried on in Ghana on a scale adequate to the economic needs of Ghana."¹³

According to Mr. Perry, this clause is rather imprecise since it assumes "(a) that some person or political organization knows the economic needs of the people, and (b) that some person or organization knows the extent to which these needs are being filled, which is open to question."

¹³ See also:
United Nations: The Economic Development of Colombia, Ibid. p. 112

Further, the law imposes some restrictions, such as the requirement that the company be incorporated in Ghana and that it makes a tangible product (this in essence excludes service industries).¹⁴ By and large, this requirement rules out all companies incorporated outside Ghana, even an industry incorporated under Overseas Trade Corporation, which might like to carry on a pioneer industry in Ghana. Furthermore, the interpretation of this clause may declare the existing firm ineligible for tax concessions because it had already been established. How any firm, new or not, could be regarded as eligible once a pioneer had been established is difficult to see in the light of this wording. What would happen if a firm, already qualified for pioneer relief, wishes to extend its facilities at the end of its five year exempt period?

Again, no direction is given in the Statute as to the magnitude of the enterprise that would be eligible for pioneer relief. There is an implication that the "amount of capital invested" may be taken into account in establishing the length of the tax-holiday, but even this seems to assume that in all cases there would be some tax holiday. Some statutory rule may be a useful guidance for administrative purposes, although a satisfactory criterion of general application may be hard to find.

The tax-holiday period is to commence on the "date when its trade or business commences or the production day whichever is earlier". Why, if the tax relief is being given, should it not simply be related to the periods of years during which the company would otherwise ordinarily

¹⁴Pioneer companies, i.e. companies.....declared 'pioneer' by the Governor in Council, and which has been given "certificate" by the Minister of Finance. The maximum tax relief is five years, and further relief may be authorized by the Governor in Council. See Income Tax Ordinance 4th Schedule, 1942

be taxable?

Here again, in the field of taxation, established mining companies are treated in the same way as other companies. When the mineral duty was first introduced in 1952, the general rate of company was raised from seven shillings six pence (7s.6d.) to nine shillings (9s.) in the pound. (Hitherto all minerals produced in Ghana were subject to export duty.) The export duty on gold varied with the official price of gold; diamonds were dutiful at 6 per cent ad valorem; and manganese was taxed at a flat rate of 45 per cent per ton.

Table 7.4 INITIAL ALLOWANCES IN OTHER COUNTRIES IN AFRICA, (1958)

Country	Buildings Per cent	Plant and Machinery per cent	Mining Expenditure per cent
Ghana	10	40	20
Nigeria	25	40	25
Gambia	10	40	--
Kenya	10	20	20
South Africa	The whole production expenses of a new gold mine may be deducted in the first five years and subsequently as incurred.		

The existing practice in Ghana offers insufficient incentive for incurring new expenditures on mineral development; the prospecting and development expenditures of a mine are treated as capital outlays and are eligible for a 20 per cent initial allowance and for an annual allowance which spreads the remaining undeducted capital expenditures over

the expected life of the mineral deposit. However, in no year is the deduction to be less than 15 per cent. (This is colonial tax legacy.) As an incentive to prospective speculators, Ghana's rate is less generous in comparison with rates given in certain other countries, (see Table 7.6). For instance, a company already engaged in the mining or petroleum business in Canada may deduct any expenditure made on exploration for new mineral resources up to the full amount of its income from its activities. Against its current profit, such a company may offset the whole of its exploration expenses and carry forward to subsequent years any undeducted balance. This has the effect that money so spent is quickly recovered from taxable income and is soon put back to work in further exploration. This allowance is given for new mines, in addition to a three year exempt period and a percentage depletion deduction. The emphasis on the immediate deductibility of prospecting expenses is its most unique feature since other pre-production and capital expenditures are amortized at an annual rate.

In Rhodesia, new mines may write off their capital expenditures over the first five or six years, and depletion allowances based on gross proceeds of sale of the mineral are granted as well. In the same vein, in the Union of South Africa, capital expenditures of new gold mines may be written off against the income of the first year of the mine, and any undeducted amount may be carried over to subsequent years and written off to the full amount of income of those years.

In this respect, Mr. Perry thought that,

"in order to give greater incentive to private prospectors for further extensive mineral development, it would be a good policy to raise the present initial allowance of 20 per cent. If the utmost incentive were given, the allowance could be set at 100 per cent for a limited period as a means of stimulating new exploration and development."

Among the most risky of development expenditures are those made by an enterprise in seeking new mineral resources, due to the expensive nature of the equipment used, such outlays are today very heavy. They very often produce nothing and, therefore, involve a great risk.

At the time of writing, the Minister of Finance is understood of considering some tax changes, perhaps in the realms of Mr. Perry's unpublished recommendations. The Finance Minister has shown signs of reconditioning Ghana's tax system to present economic needs. Thus during his Budget Speech in July 1959, Mr. K. A. Gbedemah, the Minister of Finance, stated,

"For incentive purposes the government proposes to re-introduce into this House the mineral profit bill to assist mining companies to explore and develop our mineral resources."

Tax concessions are part of the price a country is likely to pay for industrialization. An underdeveloped country often encounters the problem of either raising taxes for greater revenue to meet increasing government economic development expenditure or lowering taxes to a minimum so as to attract investment and thus foster local private formation. This is indeed Hobson's choice!!

Personal income tax. We have already pointed out some of the prevalent difficulties of levying such a tax in Ghana. At present

personal income tax is less important to the treasury. It produces only between £0.6 and £0.7 on the average (1950-1958). Out of a population of about 5 million, only about 14,000 persons pay personal income tax. It is often asserted that the low per capita income of the Ghanaian population is the principal reason. Nonetheless, there are other factors both historical and social.¹⁵ From time immemorial, Ghanaians, especially their forebears, have opposed any form of direct taxation. Consequently, the feudal lords and other wealthy persons in Ghana who are eligible for taxation, tend to invest most of their disposable income in jewelry and gold. Some go to the extent of hoarding their liquid assets under palm trees. Under this condition, it is difficult to assess most of the Ghanaians' total income in order to administer the tax.

Furthermore, the current generous exemptions per se, reduce the tax yields. The weight of an income tax levy is the composite result of the amount of allowance that may be deducted in calculating chargeable income and the rates of tax that apply to the chargeable income. In the case of allowances, as compared with other countries in Africa, the general observation is that Ghana's allowances are quite generous.

The peculiar aspects of the Ghanaian income tax rate structure are the very low rates that apply in the lowest income brackets. Anyone with an income less than £600 pays no income tax. In Canada, the starting rate is 13 per cent, 20 per cent in the United States,¹⁶ and 23.75 per cent in the United Kingdom. Under the Ghanaian structure, the first dispos-

¹⁵ See Chapter II

¹⁶ Canadian Tax Foundation: The National Finances, 1959/60, p. 17

able income of £400 is subject to a rate of only 2.5 per cent. At the top end of the schedule the maximum rate of 57.5 per cent also compares favourably with top rates of 70, 80 and 90 per cent in many countries.

Table 7.5

PERSONAL INCOME RELIEFS : (effective date, 1st April, 1944).

	Ghana £	Nigeria £	Gambia £	Kenya £
Single	350	-	200	200
Married	500	200	350	350
Child	50	40	50	120 - first 60 - others
Child Education	200	210	250	-
Relative	100	100	100	60
Insurance -				
% of Capital	10%	10%	10%	7%
% of Total Income	20%	20%	20%	16.66%
Limit	£1,000	£1,000	£1,000	25% of first £200 12% of the balance

Ghana's rates now in effect are as follows:

First	£ 400	disposable income	2.5%
Next	400	" "	5.0%
Next	400	" "	10.0%
Next	800	" "	15.0%
Next	1,000	" "	20.0%
Next	1,000	" "	25.0%
Next	1,000	" "	37.5%
Next	5,000	" "	45.0%
Excess over	10,000	" "	57.5%

Source: Income Tax Ordinance No. 27, Department of Income Tax
1943.

While there are ~~some~~ adverse economic effects that arise from a high level of personal income tax, it is safe to say that the Ghanaian tax is not a deterrent to the economic development at its present level, because those with higher income neither invest part of their income in any enterprise nor save it in banks. They choose to spend their money on durable and non-durable consumer goods. Under these circumstances, in the interest of achieving a better balance in the general tax structure, the rates of personal income tax could be moderately increased and the level of allowances gradually reduced. Such an increase in tax rates and reduction in tax-exemptions would also check the practice of polygamy and unnecessary child-birth which often places a burden on the immediate clan and the community at large. On the other hand, if the state could be bold enough to stand against social pressure, a marriage tax should be imposed upon any polygamist and/or upon any man or unmarried woman with more than three children, who are not in a position financially to properly maintain the children. Perhaps this tax is regressive or administratively unfeasible; however, if it is workable, it would uproot polygamy in Ghana as well as make the married or unmarried parents responsible for the complete welfare of their children. This is no revenue policy, but fiscal measures have more than one phase.

Even under present methods of collection, there is no reason why the yearly yield from the personal income tax should not be more than £1.5 million as against present average yearly collections of approximately £0.7 million. With a further step of reduced allowances, marriage

tax and improved collection methods, such as "pay as you earn"¹⁷ it should be possible to increase revenue considerably beyond the £1.5 million level. The development of a full potential of personal income tax in Ghana will greatly depend on having adequately trained personnel in the Income Tax Department.

Another observation concerning direct taxation is the problem of double taxation which may be suffered by foreign investors in Ghana. Attitudes of foreign investors are influenced by the presence or absence of a treaty for the avoidance of double taxation. Ghana has several such treaties inherited from its colonial days, but it is important that Ghana now, as an independent state, enter directly into treaties with other countries, especially with the United Kingdom and the United States. The effect on foreign businessmen will be to reassure them that Ghana, as an independent nation, has, of its own will, pledged itself to certain principles governing international taxation.

Besides these main sources of tax revenue, the government gets extraordinary revenue from special grants from the Cocoa Marketing Board, and until 1957 some marginal grants from the Colonial Development and Welfare Fund (see Table 7.1). These special grants are often made for specific projects of the government. Especially the C.M.B. grants are made from General C.M.B. Reserves¹⁸ to meet the complete cost of a project for which the grant was intended. The Colonial Welfare grant during its operation was usually made to meet part of the cost of a specific project.

¹⁷This is the practice especially in Canada and the U.S.A.

¹⁸See Chapter III

Future government revenues will be determined largely by the rise in National Income. It is likely that the "acceptable maximum" programme may raise the annual rate of National Income by 3 per cent in the initial years of development. Ghana's gross product per capita has risen from £44 in 1950 to £57 in 1958, or an increase of 29 per cent (see Appendix VI). While it is not good policy now to have a general increase in all the existing tax burdens to meet the cost of the development, perhaps adjustments in certain aspects of the tax structure as pointed out in our previous discussions may conceivably have to be made in order to maintain the present proportion of the total tax yield to national income, also to attract private investment to share the burden of economic development.

Most tax experts may advise against increasing significantly company and mining profit tax which might make it impossible to attract the volume of private capital essential for development. In the long run the growth of manufacturing industries and of per capita income should increase the relative contribution of direct government revenue. Professor Bauer¹⁹ may approve, under present conditions in Ghana, of the export duty on cocoa, until inflow of foreign capital is substantial enough to relieve the government of some of the burden. If prices of Ghana's exports, especially cocoa, rise again, as much as possible should be accumulated for export duty with minimum disturbance of the economy. The extent and nature of future cocoa revenue which may prove adequate and enable both the C.M.B. and the government to build reserves again are impossible to

¹⁹See Chapter III

forecast, due to uncertainty of world market demand. It would be a sound policy for Ghana government to seek outside capital for future plans.

Until now, besides the special grants that the C.M.B. often makes to the government for specific public projects, almost all the internal borrowings (which are hardly shown in government published budgetary accounts) are made from the C.M.B. General Reserves. It seems now that the government is turning to the Stabilization Fund -

"Mr. Speaker", said Mr. Gbedemah, the Minister of Finance, "with the launching of the Second Development Plan, the time has now come when all our national resources should be mobilized and utilized in the most advantageous way for the national cause. Thus it has become necessary among other things, for the Government to take on loan, most of the liquid cash of the Stabilization Fund. This is advice which has been tendered by several international experts, that the present procedure ties down unnecessarily capital which can be used for development and that the crop can be financed by bank overdrafts both local and overseas. The acceptance by Government of this sound advice releases no less than £20 million or more of the Board's Fund for immediate borrowing for national development. I propose to do this formally as soon as possible after today. The raising of capital locally has hitherto not had the impetus which it requires and this is to be pursued vigorously in the future."²⁰

This is the end of the road, the government has now reached for the last source of available local funds to meet cost of development. Whilst the public expenditure has been continually rising, at the moment the government tax base is small and narrow, and it would continue to be so for some time, depending upon how fast and effective its economic development would be. It therefore becomes imperative to adopt fiscal, trade, monetary, and political policies to attract foreign investment.

²⁰ Ghana - Ministry of Finance - 1959/60 Budget Speech, Op. cit. p. 26

CHAPTER VIII

FISCAL POLICY

Since postwar fiscal incentives in general and particularly in respect of secondary industry have increasingly come to be regarded the most desirable and effective instrument of government policy in underdeveloped countries.¹

The Ghanaian government budget, throughout the period covered of this study, has constituted to some extent a very effective means of channelling a greater proportion of gross national savings towards capital formation. Taking advantage of public zeal for industrial development, and of the cocoa farmers' patriotism and recent co-operation, the government is now mobilizing all available resources to achieve the economic objective.

A variant on the use of direct taxation to promote development is the imposition of high export duties, normally on primary commodities as well as import duties. A tax on exports provided it is adjusted to world prices so as not to handicap exports may be used for channelling funds into the industrial sector while at the same time holding in check sudden inflation. The author of this paper recommends a higher cocoa duty for development revenue. Such cocoa export taxes would also help to stabilize Ghana's economy, as they impinge directly on the farmers who, without the tax, may be reaping the greater advantage from this boom, and spend the money in marrying three or four wives, spending on consumer goods, or hoarding it. Certainly imposition on producers is as much as forced savings as

¹See United Nations Review of Economic Conditions in the Middle East, 1951/52, chapter 5

confiscation. However, it is the best way to squeeze water from a stone for development funds as well as a means of preserving economic stability.

Unfortunately, export duty revenue of this kind is often short-lived. Gold, diamonds and other minerals in Ghana are extractive commodities; cocoa, the mainstay, is also a biological industry subject to the vagaries of weather and climate, and animal pests. All these primaries are subject to violent fluctuations of the world market. We have already pointed out the precarious nature of cocoa export trade upon which the country depends so much for income and savings:

"Our major income has tended to come from one single crop --cocoa, but it has been clear for many years now that such wide fluctuations in price as I have referred to are not conducive to our economic weal.....The Ghana Government and other producing countries recently put forward proposals at the F.A.O. study group conference in Hamburg for the introduction of measures to stabilize the world price of cocoa within certain limits, but these proposals were unfortunately not acceptable to the consuming countries.....It is Government's aim that as long as these world conditions continue we shall do all in our power locally to ensure that our income from cocoa does not lessen."²

But for the world situation and outlook of cocoa the F.A.O.

Study Group writes:

"Consumption of cocoa in the major consuming countries declined over the past year.....The 1958/59 downward trend of consumption might continue, with adverse effects on prices."³

The problem of the pattern of revenue and expenditures under the impact of cyclical changes in cocoa income and price is more

²Ghana - Minister of Finance - The Budget Speech, 1958/59, p. 2

³United Nations - F.A.O. - Monthly Bulletin of Agricultural Economics and Statistics, Vol. viii, June 1959, p. 17

significant. A curtailment of investment would no doubt be imperative if revenues fall drastically, but it would be undesirable to curtail government investment simply because ordinary administrative expenditures proved to be inflexible. Ghana government may therefore consider to avoid further growth of recurrent expenditure, since there is danger that such an expansion may ultimately be at the expense of investment expenditure (the ratio of development and recurrent expenditure between 1951-1959 is 3:4)⁴

In the light of present circumstances--uncertainty of cocoa world market, a dwindling of all governments' own reserves, and with limited tax base--if Ghana depends solely on cocoa revenue for development, it is likely that the development programme may either fail to achieve its economic objective or fall short of its objective. It is, therefore, not safe to count on such revenue indefinitely for the finance of any continuing service.

What about public borrowings both from internal and external sources, if funds are available? Up to now, government borrowings have mostly come from the Ghana Cocoa Marketing Board (see Appendix IV). This internal debt is not unduly large, nor is servicing of amortization and interest represent a very heavy burden in relation to national income and tax revenue.⁵

In 1958, the consolidated internal debt balance represented 4.9 per cent of the 'known' national income, the servicing of the debt within the same period absorbed 0.1 per cent of the national income and

⁴See Table 6.4, Chapter VI

⁵This is due to the fact that C.M.B. reserves are virtually considered as part of government revenue.

just under one-eighty-fifth of tax revenue.

The process of development calls for large capital sums, and while the greater part of these must probably be borrowed abroad, it is very much to the economic and fiscal interest of Ghana that as much as possible should be raised at home. Savings in Ghana are, at present, primarily institutional in form, i. e. they go to hoarding. Non-institutional savings other than business earnings have hitherto apparently been negligible. The commercial banks undertake general banking business but by force of circumstances their operations are concentrated largely in providing short term credit for trading firms.

It is likely that as Ghana Central banking system develops the government may be able to place some of its long term securities with local chartered banks and the new insurance companies. By the same token, as general economic development proceeds, other private savings will presumably rise and the government may be able to mobilize part of this increase for public investment.

But at the moment, if government is to raise sums of any size within the country it will have to be besides principally the C.M.B. from the upper class--tribal chiefs and their extended families--who still control much of the private idle funds. The government could be well advised to reconcile with most of the tribal chiefs as well as others and persuade them to unearth their large deposits of money for government borrowings. In addition, it is desirable that Ghanaians generally should both acquire habits of thrift as they rise from poverty and also become accustomed

to lending to the government without the old suspicion towards colonial rule. If additional incomes are saved in banks rather than lent directly to the government this is still useful since resources will be diverted from consumption and the banks are very likely to welcome the opportunity of lending to the government locally, rather than sending their funds overseas to one of the world monetary centres.

Under these conditions the government may use every means in its power to collect the savings of these and other potential savers into its own coffers by providing suitable means of attracting small savings and attractive means of 'catching' larger ones. Savings certificates which could be purchased gradually by means of stamps could be tried, savings groups could be encouraged among groups of workers in factories, mines, offices, as well as on estates and plantations. Sweepstakes and football pools would be alternatives for consideration. It would be worth the government's effort to offer fairly attractive terms and educate the public in order to inculcate the habit of lending voluntarily to the government. To promote this attitude, many devices are available; for instance, the tying of a particular loan to a particular project such as the Ghana hydro electric project, agricultural development, or oil exploration in the North, with a public slogan "HELP BUILD NEW GHANA" or "KEEP GHANA GROWING". In fact, as in many other aspects of development, the passport to success is a continuing alertness on the part of the public authorities with minimum interest charges.

Perhaps the most obvious way for Ghana to increase its supply of industrial capital is persistently to seek loans in some countries which are willing and prepared to help her cause. External debt financing has its pros and cons. The rigidity of the service charge, for example, which in times of stable trade and prices permits fairly accurate foreign exchange budgeting through planned expansion of exports, for instance-- and in times of rising prices results in a decreasing real burden on the borrower, increased the real cost of the loan very substantially during the period of declining prices and low business activity. The balance of payments difficulties of many borrowing countries may magnify the risks of the lender, while devaluation and currency inconvertibility raised the borrower's service's costs in terms of devalued currency, and therefore complicate the problem of repayment. Also political uncertainties may magnify the lenders' doubts about effective and proper use of the funds.

Essential relationship on which an evaluation of a country's capacity for public borrowing is the incidence of interest and amortization on the capacity for external payments. While we have reason to believe that the external borrowing required by the maximum programme may be managed, one reason for contemplating a more limited programme is the possibility that all the necessary funds may not be available.

If Ghana chooses to go ahead with the maximum plan, and if there is possibility of obtaining external loan, then we suggest that economic criteria should be employed in choosing the form of the loan.

Suppose the loan is floated externally, the development expenditure would be partly financed out of foreign savings, thus Ghana's privately employed domestic capital stock would be less affected. Current incremental additions to this stock are not drawn into the government security market; therefore, compared to the internal loan situation the private income stream over future time periods would be higher. To this higher income stream there must, of course, be attached a drainage necessary to service the external debt.

If external funds are spent on productive enterprises, the nation would receive a higher gross income in the future quite apart from any consideration of the productivity of the public expenditure financed. Ghana must compare one debt form which allows a higher income over future time periods but involves an external drainage with another debt form which reduces the disposable income of the future, but creates no net claims against such income. The choice must hinge on some comparison of interest rates at which the required capital sums would be originally borrowed, and the rate of productivity on borrowed capital investment. But for political considerations, Ghana would be better off from borrowing as well from outside if the future internal rate of productivity on capital investment will exceed the rate at which external funds may be borrowed.

The present large size of public investment is justified on the ground that private investment has fallen far short of developments needs. Nonetheless a substantial volume of private capital will be required especially in manufacturing and other tertiary industries before

meeting the national economic objective. Since known domestic savings, even though they may be increasing as development proceeds, are at moment fall short of meeting these requirements, foreign capital will have to supply a substantial portion of the private investment funds. Residents in the sterling area can make investments in Ghana without restrictions. Foreign exchange regulations cannot on the whole be regarded as a significant deterrent to dollar investment, since facilities for transfer of income and ultimate repatriation of capital are granted for any dollar investment approved by foreign exchange control authorities.

Thus Ghana should continue making its fiscal policy flexible so as to attract outside capital. We have already suggested some tax concessions as "advertising gimmicks" to existing and future companies on the understanding that they will invest and/or expand their enterprises in the country. Rate of tax concessions is another sacrifice of the Treasury's revenue, and perhaps at this juncture it brings to mind the budgetary problems of Liberia. The price of its economic dependence on the United States of America has recently been shown by its experience with its income tax legislation. The yield from income tax has been artificially restricted by the fact that a number of major companies operating in the country secured tax exemptions for themselves and their employees under the terms of their original concessions. Until these concessions can be revised an important section of the incomes earned in that country will escape tax.

Liberia probably was far over zealous to buy its materialism at a very high price. Ghana would be well advised to be on guard against such pitfalls. Nevertheless, Ghana alone can hardly expect to finance all phases of its economic development as fast as it would like before the cocoa revenue becomes exhausted due to uncertainty of world cocoa market. This is the real fact that Ghana has to face. Unable to go all alone, its fiscal measures must be liberal towards local and outside investors so as to increase investments in both old, new and future industries, and at the same time design those fiscal measures to discourage speculative investments in unproductive industries.

Our suggested tax changes offer much more incentives since they have special "catch" particularly in connection with the position of foreign investors. It is true that the rate of taxation is not the only consideration which weighs with an investor who is deciding where to invest his capital; especially in Ghana at the moment. The initial loss of revenue would be offset by future taxable industrial production to the extent of reducing to a minimum direct government financial contribution towards economic development. Or, if Ghana's government insists on direct participation, it could narrow its activity to specific fields such as hydro development, or go into partnership with a private company for oil exploration in order to dovetail with the government's development programme. Such a consistent positive and liberal fiscal policy would, by and large, allay any fears of uncertainty regarding local government future policy and market which besets any new firm endeavouring to set up in an underdeveloped country like Ghana.

As long as there is an inflow of outside investment as a result of such liberal fiscal measures, as already suggested in the preceding chapter, the author recommends a gradual reduction in government spending.

Along with attracting foreign investment, special fiscal devices should be used to encourage the local private capital formation by threatening to tax anyone known or suspected to have hoarded money. Any threat of tax imposition on such funds may make the diehards, especially the old conservative tribal chiefs, save their money in banks, thereby to be borrowed for investment by some enterprising young Ghanaians. Perhaps succession and royalty taxes should be considered because there is too much money wasted on ceremonial functions for the dead. This is another revenue source to be tapped. The question is whether it is politically possible to do so in Ghana within a democratic framework. It remains to be seen whether the government will take advantage of its mass support of the working class to push its fiscal measures that far.

There are various determinants of the economic scale of business enterprise, such as the size of the market, the technology of the industry in question, and capital. The size of the market is the most fundamental factor limiting the size of business enterprise. If the size of the market is small in comparison with others, the enterprise may either be cut short or continue at a relatively uneconomic scale. Here again Ghana is at a comparative disadvantage. With the exception of its cocoa and other raw materials, its internal market for other goods and

services is relatively small, and so sooner or later she has to expand her market for future manufactured goods. She may forestall this if the government would take the initiative in exploring and developing the West African market or if possible all of Africa's market.

Ghana's fiscal development is still in its infancy and, therefore, must be manipulated to bring about either a common market or a free trade area in the whole zone of West Africa with a hope of embracing all Black Africa in the long run. Such an organization of an African Economic Unit may not only give Ghana an effective large market but also help develop its resources to the optimum. Tariff barriers among these countries, including Ghana, would be gradually eliminated and Ghana's government would recoup its tariff revenue losses from sales taxes. Besides present fiscal limitations, the economy is likely to be threatened with a germinating inflation, once the economic development gets under way. The investment programme will undoubtedly cause a considerable expansion of money incomes which will in turn produce a demand for more goods and services, especially imported goods which is likely to involve the country in trade balance difficulties, if Ghana's exports value does not counteract it.

Such an inflationary tendency is inherent in industrialization. At a time when more capital goods are badly needed for development, consumers tend to ask for more consumer goods to meet their pent-up demands. To achieve the long run objective of effective industrialization, if at all, consumers must voluntarily exercise restraint or the government must use its

fiscal measures so as to control anything above a mild inflationary pressure in early stages of the development. Sooner or later, Ghana will be faced with the puzzle of pursuing fiscal measures to achieve these two ends--economic growth and stability--with less social cost. Perhaps its present indirect taxes on consumer goods, in spite of the fact that it is the only major revenue source, can also be justified as an anti-inflationary measure.

Considering conditions in Ghana, any high consumer spending tax aimed to prevent potential inflation from getting out of control should be much greater than in a more developed country simply because of the weakness of other controlling instruments. Direct controls are now difficult to work and very often unequitable. The Ghana financial institutions are not well developed; the Bank of Ghana with its credit policy could not reach all, especially those who hoard their money. Most consumers with hoarded money would begin to spend their idle funds and thereby undermine any anti-inflationary measures. Nevertheless, to check such luxury spending in order to forestall any inherent inflation and also to release more idle funds for producers' goods, a much higher consumer expenditure tax is advisable for the meantime if it were administratively feasible.

It is likely that if the high purchase (or sales) tax is stretched too far the following possibilities may ensue: (a) a drastic reduction of internal consumer purchases with adverse effects on local infant as well as established industries, (b) Ghanaians may buy more consumer goods from abroad as much as government imported capital goods, and

thereby worsen Ghana's trade balance position, and also reduce internal savings for capital formation, and (c) some consumers, bent upon satisfying their pent-up needs, may be prone to smuggle in goods from neighbouring French territories, and thereby evade customs duty leading to a greater loss of revenue which is badly needed to finance Ghana's economic development.

Despite increased government activity, there are some phases of the economy which are still in the private sector; mostly concerned with consumer goods and services. If the demand for their goods and services reduces steadily as a result of high tariffs and sales tax so also is their profit. With less profit expectation, they will tend to stop any contemplated expansion or capital investment which will consequently lead to unemployment of labour and other resources.

On the other hand, Ghana's over eagerness for rapid industrialization along with a policy of low sales tax to enable consumers to spend more in the local market and thereby develop an effective market in the long run will be difficult to pursue at the moment. Having a narrow income tax base any low indirect tax rates may lead to undue sacrifice of revenue, the funds needed to finance capital investment. As things stand, since Ghanaians cannot have their cake and eat it, it is left to Ghanaians themselves to tighten their belts and co-operate in order to make these indirect tax measures workable to achieve the objective.

In effect, as much as the steadily increasing indirect taxes in Ghana may be viewed with some uneasiness because of their possible ill

effects on the economic growth, under present conditions in Ghana, such probabilities are far from happening. Probably this is partly due to patriotism of most Ghanaians, and partly because of the zeal and enthusiasm of most Ghanaians for material progress.

The need for improving tax administration is another concern. Inequities of the tax law are bad but the yield of a revenue structure depends as much upon its enforcement as it does upon the rules to be enforced. Inefficient administration in many instances causes inequitable tax burdens as well as revenue losses. In Ghana at the moment improvement of tax administration is a matter of personal organization and enforcement. But more important is the problem of personnel. At present, both the number of employees and their technical training are inadequate.

To meet the problem requires increasing the number of employees in the fiscal service as trained personnel become available; increasing salaries so as to attract more interested and capable men; providing for both local and overseas training of such personnel. Probably the British Government would give technical assistance in the field of taxation training. These measures, of course, will increase the cost of fiscal administration somewhat, but a multiple of additional costs will be recouped in higher tax yields as the economy progresses. Furthermore, measures should be taken to induce the present number of taxpayers, especially companies, to maintain their books in a form which permit proper tax assessment and verification of returns. In this respect, a model system of account-keeping should be made available for various lines of business. The tax statute

might stipulate that, in case of litigation, failure to provide the information required in these accounts would place the burden of proof on the taxpayer. Ghana's government may not forget that lack of qualified personnel imposes limitations upon its fiscal measures and upon what could be done. Expansion of fiscal services must therefore go hand in hand with an extensive programme of personal training and the overhaul of the internal Income Department, and with effective popular support and hard work.

Only thus can Ghana's fiscal development, coupled with monetary and trade policies, and good judgement, reach its full potentialities in promoting the twin aims of stability and growth.

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APPENDIX I

PARTY COMPOSITION OF GOLD COAST LEGISLATIVE ASSEMBLY

JULY 1956

(Figures in brackets refer to previous Assembly)

AREA	CPP	NLM and Associates						TOTAL
		NLM (GCP)	NPP	MAP	TC	FYO	IND	
Colony	14(41)	0(0)	0(0)	0(0)	0(0)	0(0)	0(3)	44
Ashanti	8(19)	12(1)	0(0)	1(0)	0(0)	0(0)	0(1)	21
Trans-Volta Togoland	8(8)	0(0)	0(0)	0(0)	2(2)	1(1)	2(2)	13
Northern Territories	11(11)	0(0)	15(14)	0(1)	0(0)	0(0)	0(0)	26
Total	71(79)	12(1)	15(14)	1(1)	2(2)	1(1)	2(6)	104

CPP - Convention People's Party

NLM - National Liberation Movement

NPP - Northern Peoples Party

MAP - Moslem Association Party

TC - Togoland Congress

FYO - Federation of Youth
Organization

GCP - Ghana Congress Party

IND - Independents

Source: Great Britain, Central Office of Information for Overseas Service, Making of Ghana 1957, (London, Her Majesty's Stationery Office, 1957) p. 44.

Except CPP, since 1958 all other splinter parties have amalgamated into one group known as "United Party" which is the present Opposition Party in Ghana's Parliament.

APPENDIX II

YEARLY DISTRIBUTION OF COCOA RECEIPTS OF COCOA MARKETING BOARD (1948 - 1957)

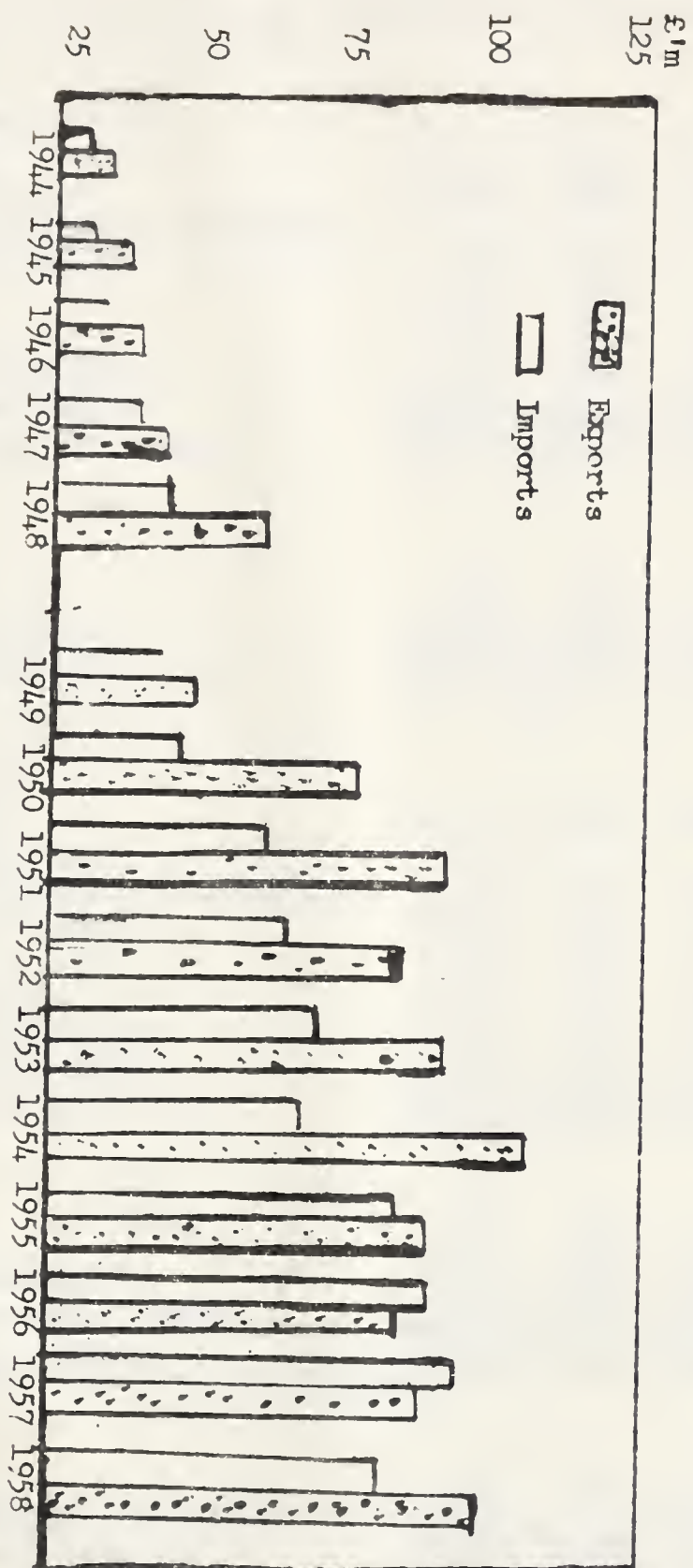
£million							
Calendar Year	The Board's Total Receipts	Payments to Farmers	Export duty on Cocoa	Surplus for Year	Cash and Bank Deposits at end of Year	Board's Holdings of U.K. Govt. Securities at end of Year	Total Reserves at end of Year
1948	41.8	16.7	0.4	24.1	17.9	17.5	36.2
1949	38.9	35.7	1.7	-0.1	13.3	21.8	36.3
1950	45.9	23.5	3.5	18.0	25.7	26.2	53.0
1951	71.4	37.0	21.4	20.1	36.9	40.9	72.3
1952	53.2	34.0	14.7	3.5	30.3	40.9	74.7
1953	58.9	35.2	16.0	6.4	29.8	40.9	78.3
1954	76.7	30.4	34.0	11.1	36.4	35.9	86.9
1955	78.8	33.1	39.4	6.3	figures not available		
1956	50.8	33.5	13.7	-1.4	"	"	"
1957	50.2	39.6	12.1	-12.2	"	"	"
1958	63.1	27.8	25.9	8.1	"	"	"

Source: Annual Reports of the C.M.B.
Ghana Economic Survey, 1958

(These figures do not include
CMB's operating expenses)

APPENDIX III

EXPORTS AND IMPORTS (1944 - 1958)



Source: Handbook of Department of Commerce and Industry, 1957
Ghana Economic Surveys 1957, and 1958

APPENDIX IV

BALANCE OF PAYMENTS					C1000
	1954	1955	1956	1957	1958
<u>Current Account</u>					
Receipts					
A. Goods and services					
1. Merchandise	110,057	90,964	78,043	83,630	96,457
2. Non-monetary gold	9,740	8,975	7,428	9,714	10,605
3. Freight & Insurance on merchandise	-	-	-	-	-
4. Other transportation	1,202	1,298	1,378	1,626	1,850
5. Travel	1,048	942	904	1,042	1,010
6. Investment income	3,926	4,853	4,961	5,159	5,250
7. Official miscellaneous	1,526	1,588	1,063	921	1,200
8. Private miscellaneous	13,859	12,752	17,725	19,528	21,130
Total goods and services	141,358	121,372	111,502	121,620	137,502
B. Donations					
9. Private	155	230	100	90	80
10. Official	944	257	859	580	450
Total donations	1,099	397	959	670	530
Total current receipts	142,457	121,769	112,461	122,290	138,032
Payments					
A. Goods and services					
1. Merchandise	66,257	82,979	82,323	89,128	78,075
2. Non-monetary gold	-	-	-	-	-
3. Freight and Insurance on merchandise	6,465	8,110	8,624	9,576	8,745
4. Other transportation	2,049	2,187	2,545	2,789	2,950
5. Travel	2,417	2,811	3,148	3,183	3,100
6. Investment income	6,377	5,761	5,563	6,013	6,550
7. Official miscellaneous	674	926	1,018	1,434	1,525
8. Private miscellaneous	16,786	16,019	21,373	23,403	25,125
Total goods and services	101,005	118,793	124,594	135,526	126,070
B. Donations					
9. Private	353	782	938	904	850
10. Official	360	354	271	293	325
Total donations	713	1,136	1,209	1,197	1,175
Total current payments	101,718	119,929	125,803	136,723	127,245
Balance on current account	+40,739	+1,840	-13,342	-14,433	+10,787
<u>Capital Account</u>					
Receipts					
1. Private	3,718	11,976	9,051	4,092	455
2. Official and banking institutions	-	-	4,291	13,314	1,857
Total capital receipts	3,718	11,976	13,342	17,406	2,292
Payments					
3. Private	4,653	2,222	-	2,973	7,828
4. Official and banking institutions	39,804	11,594	-	-	5,251
Total capital payments	44,457	13,816	-	2,973	13,079
Net capital transfers	-40,739	-1,840	+13,342	+14,433	-10,787

Source: Government Statistician, Economic Survey of Ghana, 1958

APPENDIX 1.

100-110

Debt.

£ (million)

	31st March 1956	30th June 1956	30th June 1957	30th June 1958
External Debt:				
Fund d				
1. Inscribed Stock 1950	4.0	-	-	-
2. Conversion Stock 1954-59	0.5	-	-	-
3. Inscribed Stock 1963	2.0	2.0	2.0	2.0
4. Inscribed Stock 1960-70	1.2	1.2	1.2	1.2
Total External Debt	7.7	3.2	3.2	3.2
Internal Debt:				
4. Stock 1960-73	0.5	0.5	0.5	0.5
3. Stock 1960-74	1.0	1.0	1.0	1.0
Registered Premium Bonds 1954-54	0.5	0.5	0.5	-
Bearer Premium Bonds 1955-65	-	0.5	0.5	-
Loan (Development Fund) 1956	-	4.0	4.0	4.0
Takoradi Harbour Extensions:				
£2.3million 1951-52 Loan	2.0	1.9	1.7	1.6
£1.4 " 1952-53 Loan	1.3	1.2	1.2	1.1
£1.2 " 1953-54 Loan	1.1	1.0	1.0	0.9
£0.3 " 1954-55 Loan	0.4	0.3	0.3	0.3
Railway Improvements:				
£2.2million 1952-53 Loan	2.0	1.9	1.8	1.8
£2.6 " 1953-54 Loan	2.5	2.4	2.3	2.2
£1.4 " 1954-55 Loan	1.2	1.3	1.3	1.2
Trans Volta Development:				
£0.3 million 1953-54 Loan	0.3	0.3	0.3	0.3
£0.7 " 1954-55 Loan	0.7	0.6	0.6	0.6
£2.0 " 1956 Loan	-	2.0	1.9	1.8
Total Internal Loan	13.5	19.4	18.9	17.3
Total Public Debt	21.9	22.6	22.1	20.5

Source: Government of Ghana: The Financial Statement
1956-57

(All the current debt is owed to C.I.B).
excluding external debt.

APPENDIX VI

GROSS NATIONAL PRODUCT

Year	Total Gross National Product £ (million)	Estimated Midyear Population (000s)	Gross National Product per Capital £
1950	187.9	4,275	44
1951	229.6	4,342	53
1952	238.8	4,409	54
1953	247.1	4,478	55
1954	282.7	4,548	62
1955	272.7	4,620	59
1956	257.9	4,691	55
1957	270.7	4,763	57

Source: Ghana Economic Survey, 1957



